

CHAPTER – I

INTRODUCTION

1.1 Background of the study

The development of any country depends upon its economic development. Thus the primary goal of any nation including Nepal is need of rapid economic development to promote the welfare of the people and the nation as well as. This requires the productivity activities, which in turn is the result of the investment venture in productive enterprises. The establishment of these enterprises needs a huge amount of fund. Existing enterprises and companies within the economy can be viewed as productivity enterprises, which need long term and short-term investment for their operation, growth and existence

The systematic network of a well-organized financial system of the country has great bearing. It collects scattered financial resources from the masses and invests them among those engaged in commercial and economic activities of the country. In this way, the financial sector provides savers highly liquid divisible antes at a lower risk while the investors received a large pool of resources.

The commercial banking industry, central part of the financial sector, occupies an important place in the frame work of every economy because it provides capital for the development of industry, trade, business and other resources deficits sector by investing the saving collection as the deposit. In this way it contributes to the economic growth of the nation. It is undoubtedly true that CBs perform a number of internal functions. Among them, providing credit is considered as most important one. Credit being the most important function of CBs, which in turn affects overall development of the country. CBs cover more then 50% a Nepalese financial sector. Thus it is clear that CBs play the vital role in the Nepalese financial sectors. Their establishment as a matter of fact has been a turning point in the history of Nepalese modern financial system.

1.2 Growth of Commercial Banks in Nepal

In Nepal, Nepal Rastra Bank is the central bank. This formulates policy to control the function carried by the banks. NRB has made it mandatory for commercial banks to

invest at least 40% of their total loan disbursement in the productive sector of which 12% has to be invested in priority sector. At present, NRB has introduced some fundamental changes in its interest rate policy. It has allowed the commercial banks to fix the interest on deposits as well as credit on the basis of cost and availability of financial resources. This policy framework has introduced an element of competitiveness in the financial sectors.

The commercial banks are contributing in the economic development. It is a resource for economic development; it maintains economic confidence of various segments and extends credit to people.

In Nepal "Nepal Bank Limited" was the first commercial bank established in 1994 under the Nepal Bank Act 1993. Under the Banijya Bank Act 2021 BS the government launched "Rastriya Banijya Bank." Its full investment capital is employed by government resources. Again the government established the third bank "Agriculture Development Bank" this bank is fully owned by government for the purpose of developing agriculture.

In the present context, the role and importance of the commercial banks loomed larger. In this connection, the Nepalese economy has witnessed several changes in the financial system in the last few years, for example financial liberalization. When the government permitted the establishment of foreign Joint Venture Banks in the early 1980s, three JVBs, i.e. Nepal Grindlays Bank Limited (This bank is known as Standard Chartered Bank Nepal Ltd since July 2001), Nepal Indowuez Bank Limited (Now Nepal Investment Bank Ltd), Nepal Arab Bank Limited (Now Nabil bank Ltd) were established by the end of the first half of the 1980s. After the restoration of democracy, the elected government adopted a liberalization and market-oriented policy. As a result, a number of joint venture banks and commercial banks increased dramatically via Himalayan Bank Ltd., Nepal State Bank of India Ltd., Nepal Bangladesh Bank Ltd., Bank of Kathmandu Ltd., Everest Bank Ltd., Nepal Bank of Ceylon Ltd (Now Nepal Credit and Commercial Bank Ltd)

The management of those Joint Venture Banks is mainly held by foreign banks. They are providing modern banking technology, efficient modern services to the country.

List of the licensed commercial banks have been presented.

S.N.	Name of Commercial Bank	Year of establishment A.D.	Head office	Links to Related bank
1	Nepal Bank Limited	1957	Kathmandu	www.nepalbank.com.np
2	Rastriya Banijya Bank Limited	1966	Kathmandu	www.rbb.com.np
3	Nabil Bank Limited	1984	Kathmandu	www.nabilbank.com
4	Nepal Investment Bank Limited(Previously Nepal Indosuez Bank)	1986	Kathmandu	www.nibl.com.np
5	Standard Chartered Bank Limited(Previously Nepal Grindlays Bank Limited)	1987	Kathmandu	www.standardchartered.com.np
6	Himalayan Bank Limited	1993	Kathmandu	www.himalayanbank.com
7	Nepal SBI Bank Limited	1993	Kathmandu	nsblco@nsbl.com.np
8	Nepal Bangladesh Bank Limited	1993	Kathmandu	www.nbbl.com.np
9	Everest Bank Limited	1994	Kathmandu	www.everestbankltd.com
10	Bank of Kathmandu Limited	1995	Kathmandu	www.bokltd.com
11	Nepal Credit and Commerce Bank Limited(Previously Nepal Bank of Ceylon Limited)	1996	Bhairawa	Nccb.com.np
12	Lumbini Bank Limited	1998	Narayangrah	www.lumbanibank.com
13	Nepal Industrial and Commercial Bank Limited	1998	Biratnagar	www.nicbank.com.np
14	Machhapuchre Bank Limited	2000	Phokara	Machbank.com
15	Kumari Bank Limited	2001	Kathmandu	www.kumaribank.com
16	Laxmi Bank Limited	2002	Birjung	www.laxmibank.com
17	Siddharth Bank Limited	2002	Kathmandu	www.siddharthabank.com
18	Global Bank Limited	2007	Birjung	Globalbanknepal.com
19	Citizens Bank International Limited	2007	Kathmandu	Ctznbank.com
20	Prime Commercial Bank Limited	2007	Kathmandu	Eprimebank.com
21	Bank of Asia Nepal Limited	2007	Kathmandu	Boanepal.com
22	Grand Bank Nepal limited	2008	Kathmandu	www.dcbi.com.np
23	NMB Bank Limited	2009	Kathmandu	Nmb.com.np
24	Kist Bank Limited	2009	Kathmandu	Kistbank.com
25	Mega Bank Limited	2009	Kathmandu	Megabanknepal.com
26	Sunrise bank limited	2009	Kathmandu	Sunrisebank.com.np
27	Janata Bank limited	2009	Kathmandu	Janatabank.com.np
28	Commerz and Trust bank limited	2010	Kathmandu	Ctbanknepal.com
29	Civil Bank limited	2010	Kathmandu	Civilbank.com.np
30	Century commercial bank limited	2011	Kathmandu	Centurybank.com.np
31	Sanima Bank limited	2011	Kathmandu	Sanimabank.com

About list clearly indicate that the increasing number of banks in Nepal can play an effective role in mobilizing scattered house hold saving and putting them into productive channels. So many empirical analyses indicate that banks have been involving in over all economic advancement of the country.

Commercial Bank

Simply a commercial bank is an institution that deals with money. It attracts deposit and it lends the same into various productive sectors analyzing the feasibility of the project. It also acts as mediator between the business men and also helps transfer of fund from one location to another that might be national or international.

Commercial Banks are those financial institutions which is accepting deposits of persons and institutions and giving loans against securities. They provide working capital needs of trade industry and agriculture sectors. Moreover commercial banks also provide technological and administrative assistance to industries, traders and business enterprises.

"A bank is a business organization that receives that deposits of funds from other makes loans or extends credit and transfer funds by written orders of depositors" It has an indispensable role in mobilization of money from lenders to borrowers and seeks to pay dividends and otherwise add to the wealth of its shareholders as its profit motive.

"The more developed financial system of the world characteristically fall into three parts the Central Bank, the commercial Banks and other financial institutions. They are known as financial intermediaries."

In the Nepalese Context, now a days, there are three types of banks are performing their activities in various sectors. They are central bank (NRB), development banks (ADB/N , United Development Bank, Asian Development Banks etc.) And CBs (Govt. and / or public sectors and joint venture with foreign partners.)

"CBs are the heart of financial system. They hold deposits of many persons, govt. establishment and business units. They make fund available through their lending and investing activities to borrowers, individuals, business firms and govt. establishment units. I doing so, they assist both the flow of goods and services from the producer to customers and the financial activities of the govt. they provide a large portion of the medium of exchange and they are media through which monetary policy affected. These

facts show that the banking system of the nation is important to the functioning of the economy." Rued, cotter, Gill and Smith.

"A commercial bank is one which exchanges money, deposit money, accept deposits grants loan and performs commercial banking function and which is not a bank meant for co-operation, agriculture, industries or for such specific purpose" (Commercial

Bank Act, 2031)

Characteristics

According to Madhab Prasad Aryal in the book Nepalese Banking System, CBs bear the following characteristics. In sentence of him, CBs are:

- Established under the company Act 2021 B.S. with approval of NRB.
- Established and operated with the objective of profit maximization.
- Managed by Shareholders.
- Established in different sectors such as government, semi-government and joint venture.
- Directed and controlled by NRB.
- Those which deal with foreign exchange and trade finances activities.

Functions

The commercial Banks carrying the immediate salient features, serve their stakeholder, customers and nations from different activities or performing its different functions. Those functions can be summarized as below:

- They accept custody of funds opening accounts like current, saving, fixed etc. with or without interest.
- They issue letter of credit, demand drafts, travel-cheque etc.
- They remit funds across country and or world.
- They purchase, sell or accept the securities of Govt.
- CBS invest their funds in productive sectors by analyzing the feasibility.
- Help to issue share and Debenture of any company, and any other corporate body, guarantee or Underwrite such share or debentures, and undertake any agency business but not becoming a managing agent.
- CBs conduct transaction in bonds, promissory notes or bills of exchange, foreign exchange relating to commerce or corporation as are redeemable with in country.

Nepal Rastra Bank has working as central bank. It directs and controls all the banks existing in the country. All the commercial banks perform their functions under the direction and Supervision of NRB.

1.3 Statement of Problem

As we have mentioned above the development of the country depends on well organized financial sector in the country. The developing country like Nepal is facing many problems in the developing financial sector. First of all, we have very few institutions in this area and those are also not in good condition.

Every part of financial sector is facing one or more problems, which ultimately effects the development of our country. Our major problem is about capital formation and proper utilization. In these countries, the CBs have to take no more responsibilities and act as development bank, due to the lack of other specialized institutions. In this situation, CBs have to play vital role by accepting deposits and providing various types of loans. The development of the country is directly related with the volume of loan but the problem of lending has become risky for developing country like ours.

Further more, the credit extended by CBs to agriculture and industrial sector is not satisfactory to meet the growing need of the present day. Even if NRB has made it mandatory to invest in priority sectors like agriculture, small scale industries and service. All CBs have not yet financing full 12% of their loan to these sectors.

Likewise, at present, many CBs are working in Nepalese financial sectors; however, service quality of CBs is not satisfied yet. CBs are not able to fulfill customer's expectation till now. There is raised criticism that CBs have served only richer communities but not the poor. The branches of the banks are mostly confined in the capital city and other urban areas. CBs are interested to some big industrial and commercial houses. This has direct negative impact on economic growth.

These are the main reasons for the CBs and on the whole national economy as well as. Thus, present study will make a modest attempt to analyze the problems and prospects of commercial banking sector.

The research problems identified are as follows:-

- What are the problems of commercial banking sector in relation to deposit mobilization?
- Is there any prospect for growth of CBs in Nepalese financial sector?
- Are CBs serving poor and rural areas people?

- What are the problems of micro financing by CBs?
- What are the problems faced by customers of CBs? To what extent CBs are able to fulfill their expectation? And to what extent consumers believe these banks?

1.4 Objectives of the Study

The major objective of this study is to find out problems and prospects of banking sectors. The main objectives of the study are as follow:

- To investigate the existing problems of commercial banking sector in relation of deposit collection and its proper utilization.
- To find out the problem faced by the consumers of CBs and extent of consumer satisfaction.
- To find out the possibility for growth of commercial banking sector.
- To evaluate the participation of CBs in micro financing program and to assess the prevailing problems and prospects of micro financing by CBs.
- To provide a package of workable suggestion and possible guidelines to improve performance of CBs and the expected solution of the problem faced by them based on the finding of the analysis.

1.5 Needs and significance of the study

As the CBs have to meet various challenges, this study will be helpful to the bank to identify and solve some of its weakness and problems. The existence of a well commercial banking system is one of the strength of efficient financial sectors. As we have stated earlier that every part of the CBs are facing more or less similar problems by which they are unable to meet the desired objectives. So, the studies center on a subject problems and prospects of Nepalese banking sector.

CBs main business is collection of spread saving from the mass as deposit and flow to essential and productive sectors. But they are facing problems in it. This study has therefore attempted to analyze the problems faced by CBs in relation to deposit mobilization and provide a useful feedback. This is useful for improvement of CBs themselves.

With the development of liberalized and market oriented economy, the banking and financial system is also expanding gradually, resulting with the introduction of innovative financial services and instruments. As a result, the financial system has been experiencing and there is tough competition among the players of the financial system. This situation creates many challenges in financial sector as well as gives opportunity to growth. So secondly, the study has focused on prospects of CB to growth in this competitive financial market that will useful to catch the opportunity in this sector.

Nepalese financial sector is concentrated mainly in urban areas. So the NRB has made a rule of compulsory participation in micro financing in which CBs have to mobilize loan in priority and deprived sector. But there are many problems in this sector. Therefore the study is undertaken to analyze problems and prospect to growth of CBs in this sector.

It is very important to know the problems faced by consumers and then find out solution for the same for the existence of any business. So the study is undertaken to find out if there is any problem faced by consumers in banking sector. Which is useful to the banks to know about whether they are successful to fulfill customers need or not.

Above all, not only the CBs themselves but also different segment of financial sector, new entrepreneurs, teachers and students of relevant subjects may find some interesting information from this study.

1.6. Limitation of the Study

This study is simply a partial study for the fulfillment of M.B.S degree, which has to be finished within one semester. This is not far from several limitations, which weaken the hearth of the study e.g. inadequate coverage of time period taken, reliability of financial and statistical tools used and other variations. The present study suffers from the following limitations:

This study is limited due to the following factors:-

- There are many parts of financial sector but the present study concern only on CBs.
- This study is based on both secondary as well as primary data. Therefore the accuracy of result and conclusion highly depend upon the reliability of these data.
- There are 31 CBs in Nepal but this study covers only six such Banks. It has to be assumed that these banks represent all Nepalese commercial bank
- Although CBs are facing many problems but the present study focuses only in the problem related to deposit mobilization. Prospects of CBs are affected by many factors such as economy, legal environment, department of industry and trade etc. of our country as well as foreign countries. But the study draws conclusion on the basis of primary and secondary data.
- The secondary data is about 7 year period only i.e. from fiscal year 2061/062 to 2067/068. Hence the conclusion drawn confines only to the above period
- The interview and questionnaire method applied to consumers of bank related to handicraft business and some staff of six listed banks only (some branches of listed bank are observed)

1.7 Chapter plan

The whole study is divided into five different chapters there are

Chapter I is the introduction chapter. It includes background of the study, focus of the study, statement of problems, objectives of the study, and significance of the study, limitations of the study and chapter plan of the study

Chapter II deals with review of literatures, which includes conceptual/theoretical review and review of related studies

Chapter III is Research methodology which includes research design, population and sample, sources of data, data collection techniques and data analysis tools.

Chapter IV deals with the various analysis and interpretations of data like analysis of sources and uses of fund of commercial banks, analysis of deposits, loan and advances and investments. Financial and statistical analysis and analysis of primary data. It also shows major findings of the study

Chapter V includes summary and conclusions of the study. It also deals with recommendations suggested. The list of bibliography and appendixes are given at the last for references.

CHAPTER – II

REVIEW OF LITERATURE

Literature review is basically a “Stock Taking” of available literature in one’s field of research. The literature survey, thus, provides us with the knowledge of the status of their field of research. Therefore, this chapter has its own importance in the study (Kothari: 1990: 10).

This chapter includes the review of previous studies, articles, and conceptual framework for the related studies. To present the real framework of the study, mere analysis is not enough and review of some related materials should be dealt with to give the research a clear vision. Past study knowledge provides foundation to the present study. So analyzing and presenting the following parts define this chapter:

- i. Conceptual/Theoretical review
- ii. Review of related journal, articles
- iii. Review of Thesis

2.1.1 Origin of Bank

There are different opinions on the origin of the bank. According to one opinion, the term bank was

originated from Italian word ‘Banco’ which meant bench. The money exchangers at that time kept heap

of money on the bench from which came the use of word ‘Banko’. In the opinion of Macleod, since

banko means ‘heap’, it denotes the joint fund contributed by many persons.

The origin of the word ‘Bank’ is linked to:

German word ‘Bank’ means a joint stock company,

Latin word ‘Bank’ means a bench,

Italian word ‘Bank’ means a bench and

French word ‘banquet’ means a bench

Moneylenders in the streets of major cities of Europe used benches for acceptance & payment of valuables & coins. When they are unable to meet their liabilities, the depositors used to break their benches. Hence the word ‘Bankruptcy’ is derived from there.

The term bank was first used in Italy in 1157 A.D. in 12th century. The first bank was set up in Venice, Italy as a public bank, by the name ‘Bank of Venice’. Subsequently,

'Bank of Barcelona' in 1401 A.D. & 'Bank of Geneva' in 1407 A.D. were established. In 1609 A.D, "Bank of Amersterdam", a famous bank was established. In reality, the history of modern banking had started from 'Bank of England' in 1694 A.D. But the modern joint stock banks were established in England only in 1833 A.D. In 1844 A.D., 'Bank of England' was established as a first central bank in the world. The 'Banque De France' was established in France in 1807 A.D. Later, the banks were established in other parts of the world.

2.1.2 Concept of Bank

Generally, an institution established by law, which deals with money & credit is called bank. It is obvious that in a common sense, an institution involved in monetary transactions is called bank

A bank is a financial institution, which plays a significant role in the country. It facilitates the growth of trade & industry, & boost national economy. However, a bank is a resource of economic development, which maintains the self-confidence of various segments of society and extends credit to the people. A bank is a business organization that receives & holds deposits of funds from others, makes loans or extends credits & transfers funds by written orders of depositors (The Encyclopedia America, 1984:302).

The business of the banking is collection of funds from community & extending credit to people for useful purposes. Bank plays a vital role in making money from lenders to borrowers. Bank is a profit seeking business, not a community charity profit seeker. It is expected to pay dividend & otherwise, add to the wealth of shareholders (Encyclopedia, 1984: 6).

Hence, in concise, we can say that there is no single universally accepted definition of bank. In brief, it is an institution, which accepts deposits in different accounts, provides loans of different types, and creates credit.

2.1.3 History of Banking in Nepal

The history of banking in Nepal is not very old. It goes at least back to the Lichchhavi era. There were 'Gosthies' to work as credit banks established under the permission of Royal order & they were conducted through local legislation called 'Panchali'. Then the King Jayasthiti Malla from Malla dynasty, allowed 'Tankadhari', a class of

people, to deal in depositing & lending of money & ornaments. The Banda who still worked in ornaments used to deal in lending & depositing the ornaments in that time also. Then, came the King, Ram Shah, in developing the banking system in Nepal. He found that unorganized lending was taking place in the society at very high interest rates. So, he fixed up the interest rates of lending.

Though it seemed realizing the development of banking in those early times, it could not be materialized till the end of Rana regime. The first government institutionalized credit house called 'Tejarath Adda' was established during the tenure of Prime Minister, Ranoddip Singh (1993-1994 B.S.). The 'Tejarath Office' used to give loans to government employees against the securities of gold, silver, etc.

Banking in true sense started with the inception of Nepal Bank Limited on 30th Kartik, 1994 B.S. as the first commercial bank of Nepal under Nepalese Banking Law & Nepal Bank Act 1994 B.S. formulated by the Industrial Board of Nepal.

After that Nepal Rastra Bank was established as a central bank on 14th Baisakh, 2013 under Nepal Rastra Bank Act, 2012 B.S. The bank was empowered by the Act to have direct control over banking institution of the country to manage the circulation of national currency along with foreign exchange rate. Then came Rastriya Banijya Bank established on 10th Magh, 2022 B.S. established under Rastriya Banijya Bank Act, 2021 B.S.

Nepal Arab Bank Limited was established on 26th Ashar, 2041 B.S. as a first joint venture bank in Nepal opened under Banijya Bank Act, 2031 B.S. Having observed the success of Nepal Arab Bank Limited (currently named as Nabil Bank Limited) & of liberal economic policy adopted by the government, various other commercial banks including joint venture banks & privately ownership banks established in Nepal.

2.1.4 Concept of Commercial Bank

Commercial banks are that financial institutions which deal in accepting deposits of people & institutions & giving loans against securities. They provide working capital needs of trade, industry, & even to agricultural sector. Commercial banks also provide technical & administrative assistance to trade, industries, & business enterprises. Commercial bank is a corporation, which accepts demand deposits, subject to check

& makes short-term loan to business enterprises, regardless of the scope of its other services.

S.N.	Name of Commercial Bank
1	Nepal Bank Limited
2	Rastriya Banijya Bank Limited
	Nabil Bank Limited

A commercial banker is a dealer in money & substitutes for money, such as cheque or bill of exchange. It also

provides a variety of financial services (The New Encyclopedia Britanica, 1985: 605).

The American Institute of Banking has laid down for functions of the commercial banks i.e. receiving & handling deposits, handling payments for its clients, granting loan & investment & creating money by extension of credit (American Institute of Banking, 1985: 609). Principally, commercial banks accept deposits & provide loans, primarily to business firms, thereby facilitating the transfer of funds on the economy (Bhandari, 2003: 65)

In the Nepalese context, a commercial bank is one which exchanges money, deposits money, accepts deposits, grants loans, & performs commercial banking functions (Commercial Bank Act, 2063).

Commercial banks are those banks, which pool together the savings of the community & arrange for their productive use. They supply the financial needs of modern business by various means. They accept deposits from the public on the condition that they are repayable on demand or on short notice.

Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short-term needs of trade & industry such as working capital financing. They cannot finance in fixed assets. They grant loans in the form of cash, credits & overdrafts. Apart from financing, they also render services like collection of bills & cheques, safe keeping of valuables, financial advising, etc. to their customers (Vaidya, 2001:38)

In Nepal, 31 commercial banks are operating so far. They are:

Nepal Investment Bank Limited(Previously Nepal Indosuez Bank)
Standard Chartered Bank Limited(Previously Nepal Grindlays Bank Limited)
Himalayan Bank Limited
Nepal SBI Bank Limited
Nepal Bangladesh Bank Limited
Everest Bank Limited
Bank of Kathmandu Limited
Nepal Credit and Commerce Bank Limited(Previously Nepal Bank of Ceylon Limited)
Lumbini Bank Limited
Nepal Industrial and Commercial Bank Limited
Machhapuchre Bank Limited
Kumari Bank Limited
Laxmi Bank Limited
Siddharth Bank Limited
Global Bank Limited
Citizens Bank International Limited
Prime Commercial Bank Limited
Bank of Asia Nepal Limited
Grand Bank Nepal limited
NMB Bank Limited
Kist Bank Limited
Mega Bank Limited
Sunrise bank limited
Janata Bank limited
Commerz and Trust bank limited
Civil Bank limited
Century commercial bank limited
Sanima Bank limited

(Source:

www.nepalrastrabank.com.np)

The commercial banks in Nepal are categorized into

four groups on the basis of capital owned. They are; the fully government owned bank; Rastriya Banijya Bank, the government & private sector bank; Nepal Bank Limited, the JVBs consist of Nabil Bank Limited, Standard Chartered Bank Nepal Limited, Himalayan Bank Limited, Nepal Bangladesh Bank Limited, Nepal SBI Bank Limited, Everest Bank Limited & the privately owned banks; Lumbini Bank Limited, NIC Bank Limited, Kumari Bank Limited, Nepal Investment Bank Limited, Bank of Kathmandu, Laxmi Bank Limited, Machhapuchhre Bank Limited, NCC Bank Limited and Siddhartha Bank Limited., Global Bank and Citizen Bank International Limited

However, central bank is the main bank of any nation that directs & controls all other banks. In Nepal, Nepal Rastra Bank are the central bank & all the commercial banks performing their functions under its rules, regulations, & directions

2.1.5 Functions of Commercial Bank

Commercial banks are the most important types of financial institution for the nation in terms of aggregate assets. Traditional functions of commercial banks are only concerned with accepting deposits & providing loans. But modern commercial banks

work for overall development of trade, commerce, services, & agriculture also. The business of banking is very broad in modern business age. The number & variety of services provided by bank will probably expand. Recent innovation in banking include the introduction of credit cards, accounting services for business firms, factoring, leasing, participating in the Euro-dollar market, & lock-box banking. The main functions of commercial banks are as follows

i. Accepting Deposits: - It is fair deduction that no person or body, corporate or otherwise, can be banker who does not take deposits, issue & pay cheques & collect cheques from his customers. Here, all functions are related with the acceptance of deposits. Therefore, accepting deposits by bank is the oldest function of bank

A bank accepts deposits in three forms viz. saving, current & fixed. Saving deposit is one of the deposits collected from small depositors & low-income depositors. The banks usually pay small interest to depositors for their deposits. Current account is also known as demand deposits. Under this, any amount may be deposited. There are no restrictions regarding number & amount of withdrawals as contrary to saving account. The banks don't pay any interest on such account but charge small amount on the customers having current account. A fixed or time deposit is one where customers are requested to keep a fixed amount in the bank for specific period, generally by those who don't need money for stipulated time. The bank pays a higher interest on such deposits.

ii. Advancing Loans: - The second major function of a commercial bank is to provide loans & advances from the money, which it receives by way of deposits for the development of industry, trade, commerce, services, & agriculture. The main purpose of commercial bank is to boost up the development pace of communities & the economy as a whole.

iii. Agency Services: - The bank also performs number of services on behalf of the

customers. The following are the agency functions provided by the bank

- dealing with the transaction of foreign exchange business
- serving as an agent of correspondent on behalf of the customers
- issuing letter of credit, circulate note, traveler's cheques, etc.
- Purchasing & selling different kinds of securities & remitting funds
- keeping valuable article in safe custody
- providing financial advice to various persons & bodies whenever required

iv. Creating Money: - The major function of the bank that separates it from other financial institution is the ability to create money & to destroy money, which is accomplished by lending & investing activities. The power of the commercial banking is of great economic significant as it results in the elastic credit system that is necessary for the economic progress at a relatively steady growth rate (American Institute of Banking, 1985: 149).

2.1.6 Resources of Nepalese commercial Bank

Commercial banks have mainly three sources for their advancing. They are as follows

i. Capital: - As far as the capital fund is concerned, it is only a nominal source. Therefore, it can be used for investment purposes. This capital fund consists of two elements; paid up capital & general reserve

ii. Deposits: - Deposits are the main resource of the banks for advancing loans. It is received from different forms & accounts. There are mainly three types of deposits viz. saving, current, & fixed. In a developing country like Nepal where the majority of people are still poor, saving deposits has played a significant role in the development of a country. Therefore, the main source of raising capital is deposits.

Sudharsanam (1976) rightly says, "The deposit function of the bank is important because it has to aggregate small sums of money lying scattered here & there like twenties, fifties, & hundreds. Singling these sums has no economic efficiency what so ever but they can accomplish herculean tasks when they are aggregated & employed by the banker" (Sudharsanam, 1976: 20).

iii. Internal & External Borrowing: - Internal & external borrowing are very important for a developing country like Nepal. Commercial banks alone cannot fulfill the necessity of the society. Therefore, they are allowed to borrow from two sources,

external & internal. Generally, external borrowing means the borrowing from foreign bank, foreign government, IBRD, IMF, etc. Internally, the banks can borrow from only one source, i.e. from NRB.

2.1.9 Meaning of Deposit

It is important that the commercial bank's deposit policy is the most essential policy for its existence. The growth of bank primarily depends upon the growth of its existence. The volume of funds that management will use for creating income, through loans & investment, is determined largely by the bank's policy governing deposits. In other words, when the policy is restrictive, the growth of bank is restarted or accelerated with the liberalization in the deposit policy. In banking business, the volume of credit extension much depends upon the deposit base of a bank. The deposits creating powers of the banks forces to raise the assets along with the liabilities side of the balance sheet. In other words, assets give rise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors & not by the bank's management. There are regular changes in this view in the modern banking industry. Thus, the banks have evolved from relatively passive acceptors of deposits to achieve bidders for funds. Deposit is one of the aspects of the bank liabilities that management has been influencing through deliberate action (Vaidya, 1999: 68).

2.1.10 Types of Deposits

At the outset, it is necessary to know what a deposit is. Commercial Bank Act 2063, defines deposits as the amounts deposited in a current, saving or fixed accounts of a bank or financial institution. People in general, the businessmen, the industrialists, & other individuals deposit in a bank. Actually, such amount is the main source of capital for the bank. Bank, flows such amount as loan & invest in different sectors to earn profit. Usually, the bank accepts three types of deposits. They are current, saving, & fixed. But in other countries, we find more than three deposits. In Nepal, The bank grants permission to their customers to open three types of accounts under various terms & conditions. This classification is made on different theoretical & financial basis. Therefore, deposits of the bank are classified on the following basis:

i. Demand Deposit: - The deposit in which an amount is immediately paid at the time of any holder's demand is called demand deposit. In other words, it can also be called as current account. Current account means an account of amounts deposited in a bank, which may be drawn at any time on demand. Its transaction is continual & such deposits cannot be invested in productive sector. So, such type of amount remains as stock in the bank. Though the bank cannot gain profit by investing it in new sector after taking from the customer, this facility is given to the customers. Therefore, the bank does not give interest on this account. From such deposit, the merchants & traders are benefited more than the individuals. The bank should pay as many times as the cheque is forwarded until there is deposit in is/her account. The bank can't impose any conditions & restrictions in demand deposit. An institution or an individual, who usually needs money daily, precedes his/her acts & transactions through such deposit. The current account is very important for the customers of the bank

ii. Saving Deposit: - The bank can collect capital through the saving deposit as well. This deposit is also important and its necessity and scope is not negligible. According to the Commercial Bank Act 2063, saving account means an account of amounts deposited in a bank for saving purposes. This account is suitable & appropriate for the people of middle class, farmers, and the labours having low income, officials, & small businessmen. This saving deposit bears the features of both the current & fixed period deposits. Generally, most accounts are opened on saving deposit in a bank. Therefore, this deposit is popular in people in general. According to internal rules of banks, some banks demand a small amount & some demand a great deal of money to open saving account. Banks give interest on it.

iii. Fixed Deposit: - Under the Commercial Bank Act 2063, fixed account means an account of amounts deposited in a bank for a certain period of time. The customers opening such account deposit their money in this account for a fixed period. In other word, it is called time deposit because this amount is deposited for a certain period. Usually, only the person or the institution that wants to gain more interest opens such type of account. The period of time can be 3 months, 6 months, 9 months, 1 year, 2 years, 3 years, etc. more interest rate is payable in this deposit than other deposits. Both parties, the bank & the customers, can take benefit from this deposit. The bank invests this money on the productive sector gaining profit thereby & the customers

too can make his financial transaction stronger by getting more interest from this deposit. The amount collected in the fixed deposit must be returned to the customer after the date is expired. The amount can't be withdrawn before the fixed time. (Bhandari, 2003: 73-76).

2.1.11 Mobilization of deposits

Collecting scattered small amount of capital through different medias and investing the deposited or collected fund in productive sector with a view to increase the income of the depositors is meant deposit mobilization. It also supports to increase the saving through the investment of increased of extra amount (NRB, Bankers Prakashan, 1984: 12).

When we discuss about the deposit mobilization, we are concerned with increasing income of the low income group of people & to make them able to save more & to invest again the collected amount in the development activities (NRB, Bankers Prakashan, 1984: 10).

The main objective of the deposit mobilization is to covert the idle saving into active saving (NRB, Nepal Bank Patrika, 2037: 7)

In developing countries, there is always the shortage of capital for the development activities. There is the need of development in all the sectors. It is not possible to handle and develop all the sectors by the government alone at a time. Private people also can't undertake large business because the per capita income of the people is very low and their propensity to consume is very high. Due to the low income, their saving is very low and capital formation is also very low. So, their saving is not sufficient for carrying out developmental works

To achieve the higher rate of growth and per capita income, economic development should be accelerated. Economic development may be defined in a very broad sense as a process of rising income per head through the accumulation of capital (Johnson, 1985: 11). But how capital can be accumulated in the developing countries? There are two ways of capital accumulation in the developing country, which are external and internal sources. In the first group, foreign aid, loans and grants are the main, while in

the later, financial institutions operating within the country play a dominant role. In the context of Nepal, commercial banks are the main financial institutions, which can play very important role in the resource mobilization for the economic development. Trade, industry, agriculture, and commerce should be development for the economic development

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sectors to increase employment and national productivity. Deposit mobilization is the most important source of the capital formation (RBB, Uphar, 2055: 14).

Banking transaction refers to the acceptance of deposit from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of the certain period according to the banking rules and regulations. This definition clearly states that deposit mobilization is the starting point of banking transactions. Banking activities can be increased as well as the accumulated deposit can be mobilized effectively (NRB, Nepal Bank Patrika, 2037: 7) A commercial bank changes the scattered unproductive small savings into loanable & active savings. The bank not only collects saving, but also provides incentives to the savers & helps them to be able to save more (RBB, Uphar, 2055: 15).

Commercial banks are set up with a view to mobilize national resources. The first condition of national economic development is to be able to collect more & more deposits. In this context, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization (RBB, Uphar, 2055: 20).

2.1.12 Needs for Deposit Mobilization

The following are the reasons for why deposit mobilization is needed in a developing country like Nepal. Workshop report “Deposit mobilization why & how” states the following points as the needs for deposit mobilization

- Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country. It is much more important to canalize the collected

deposit in the priority sectors of a country In our developing country, we have to promote our business & other sectors by investing the accumulated capital towards productive sectors.

- The need for deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra money that the people have, can be forwarded buying unnecessary & luxury goods. So, the government also should help to collect more deposit, steeping legal procedures to control unnecessary expenditures.
- Commercial banks are playing a vital role for national development Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors, but also in other sectors like food grains, gold & silver, etc. Though these loans are traditional in nature & are not helpful to increase productivity, but it helps, to some extent, to mobilize bank's deposits.
- ultimately, it plays a good role in deposit mobilization (NRB, Banker's Prakashan, To increase saving is to mobilize deposit. It is because if the production of agriculture & industrial products increases, it gives additional income, which helps to save more, & Group A, 1984: 10).

Low national income, low per capita income, lack of technical know-how, vicious cycle of poverty, lack of irrigation & fertilizers, pressure of population increase, geographical condition, etc. are the main problems to bring economic development in a under development country like Nepal. Deposit mobilization helps in capital formation & thereby plays a vital role in economic development of a country

2.1.13 Advantages of Deposit Mobilization

In that report, Group "B" states the following points as the advantages of deposit mobilization:

Circulation of idle money: - Deposit mobilization helps to circulate the idle money. The meaning of deposit mobilization is to convert idle saving into active saving. It helps the depositor's habit of saving on one side, & it also helps to circulate the idle saving in productive sector on the other. This helps to create incentives to the depositors. Again, investment in productive sector helps directly in country's economic development, & also increases investor's income.

To support in fiscal & monetary policy: - Fiscal policy of the government & monetary policy of the central bank for economic development of a country can be supported by deposit mobilization. It helps to canalize idle money in productive sectors. Again, it helps in money supply, which saves the country from deflation & helps central bank in achieving the objective of monetary policy.

To promote cottage industries: - Deposit mobilization is needed to facilitate cottage industries located in rural & urban areas. If the bank utilizes the collected deposit in the same rural or urban sector for the development of cottage industries, it is helpful not only to promote cottage industries in the area, but also supports in the development of the locality as a whole, increasing employment & income of the local people.

Capital formation: - Capital plays a vital role for the development of industries. But in an underdeveloped country, there is always lack of capital to support such industries. Capital formation & industrialization is possible through deposit mobilization.

Developing of banking habit: - One of the important sides of economic developing country is to increase banking habit in the people. Deposit mobilization helps in this aspect. If there is proper deposit mobilization, people believe bank & banking habit develops in people.

To check the miss utilization of money: - Mostly our customs & habits are supported by social & religious beliefs. There is also tendency of copying others & to show their superiority buying unnecessary & luxury items in our society. In such society, deposit mobilization proves a tool to check the misutilization of money.

To support government development projects: - Every underdeveloped country's government needs a huge amount of money for development projects. The deposit collected by the banks can fulfill to some extent the need of money of the people.

Co-ordination between different sectors: - Deposit mobilization helps to collect capital from surplus & capital hoarding sectors. The fund can be invested for the needy sectors. Thus, it helps to fulfill the gap between these two different sectors. Earning interest in their deposit & the needy sector receiving loan & advances, benefits the surplus & hoarding sectors. Thus, it helps to keep good co-ordination between different sectors.

Others: - Deposit Mobilization supports small savers by earning interests, helps to the

development of rural economy, protects villagers from being exploitation of indigenous bankers investment incentives, provides facilities to the small farmers to purchase tools & fertilizers, etc (NRB, Banker's Prakashan, Group B, 1984: 12-14).

On this same report, Group "C" views that: Capital is needed for the economic development of a country. External sources are not dependable sources of capital. So, mobilization of internal resources has a great significance. This is the only way of receiving capital continuously for a long time Group "C" further states that there are various institutions, which mobilize internal resources. These are commercial banks, insurance companies, post offices, etc. Among them, commercial banks are the effective & dependable sources mobilizing internal resources. This is due to the fact that commercial bank's branches are scattered all over the country. Deposit mobilization not only helps in country's economic development, it is also helpful to the depositor himself. The interest earned in the amount helps to raise the standard of living on one side & on the other, the depositor had right to draw the deposited amount at the time need (NRB, Banker's Prakashan, Group C, 1984: 17).

So, commercial banks play an important role for the economic development not only in a developing country, but also in a developed country.

2.1.14 Investment, Investment Policy, & Its Principles

2.1.14.1 Investment

Investment is simply defined as the sacrifice of current consumption for future consumption whose objective is to increase future wealth. The sacrifices of current consumption take place at present with certainty & the investor expects desired level of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. The decision to invest now is a most crucial decision as the future level of wealth is not certain. Time & risk are the two conflicting attributes involved in the investment decision. Broadly, investment alternatives fall into two categories: real assets financial assets. Real assets are tangible while financial assets involve contracts written on pieces of paper such as common stocks, bonds & debentures. Financial assets are bought & sold in organized security markets.

2.1.14.2 Investment Policy

The investment policy is the most important strategy performed by the banks. The profit & the growth of his bank totally depend upon the decision taken by the banks to grant the loan. Investment policy involves determining the investor's objectives & the amount of his/hr ingestible wealth. Because there is positive relationship between risk & return for sensible investment strategies, it is not appropriate for n investor to say that his/her objective is to 'make a lot of money'. What is appropriate for an investor n this situation is to state that the objective is to attempt to make a lot of money while recognizing that here is some chance that large lose may be incurred. Investment objectives should be stated in terms of oth risk & return (Francis, 1983: 10).

Investment policy considers the three factors while investing on the projects they are time, risk, & return

2.1.14.3 Principles of Sound Investment Policy

The principles of sound investment policy, i.e. the features of sound lending policy are explained below:

Safety & security: - A bank should be very careful while planning the investment procedure & getting policy thereto. It should always be able to avoid investing in too much volatility because little alteration may cause a great loss. It must not invest its funds without careful analysis of he proposal of the borrower. A bank must not invest funds in the speculative business. Such business may cause bankrupt at once & earn millions in a minute. Only commercial, durable, marketable, & high marked valued securities are good for investment to the commercial banks.

Profitability: - There must be profit prospect in the project to make investment decision. It hold select the most profitable investment area so that it can be able to maximize the shareholders' wealth. The profits of the commercial banks depend on the interest rate, volume f loan provide, maturity period, & the nature of investment.

Liquidity: - Liquidity is the ability of the bank pay cash in exchange of deposit. People deposit their hard earned money in the bank making in the min that they will withdraw it when they need it. So, a bank should always try to maintain the liquidity position. It should not invest all the money seeing the uncertain future profit. Once it losses the trust of the customers, the bank may be in the shortage of the funds in

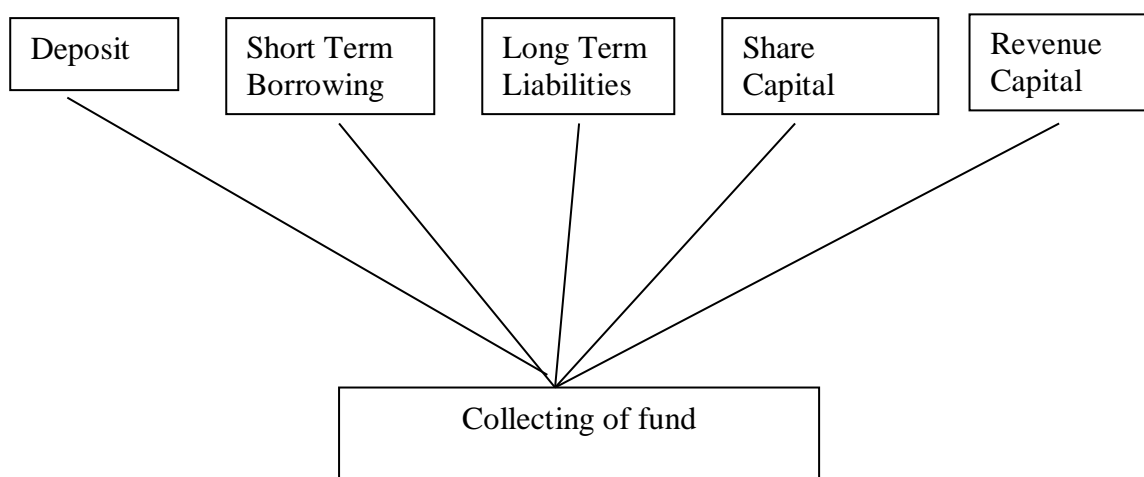
future. So, to have the customers' faith, banks should always maintain the liquidity.

Purpose of loan: - Before sanctioning the loan to the customers, banks should learn the purpose of taking loan by the customers. If the seems to be for unproductive project which may yield nothing for the customers or the customers misuse the then he/she can never repay it on time. Therefore, banks nee the detail intention of the customers before granting loan.

Diversification: - Diversification of the investment will reduce the risk. It can diversify the risk by investing in various sectors so that loss on one can be compensated by the profit of other. It should not lay all its eggs on the same basket.

Legality: - All the commercial banks are required to follow the directions given by NRB for the investment. Illegal method of investment seems good on short term but it will consequently hamper the bank leading towards bankruptcy as well.

General Investment Procedure of Commercial Banks



2.2 Review of Journals, Articles & Books

When funds are plentiful, market rate generally tend to decline, banks seek an aggressively and therefore lower their rates induce marginal borrower to come into the market. When funds are scare, banks raise their rates and come potential borrowers may differ the use of credit or seek it elsewhere (Crosse, 1963: 63).

The writer stresses on the fulfillment of credit needs of various sectors, which insures investment. The investment lending policy of commercial bank is based on the profit maximization as well as the economic enhancement of the country (Shresha, 2058:

31-32).

The investment objective is to increase systematically the individual's wealth defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received (Cheney & Moses, 1991: 23).

Investors seeking higher return must be willing to face higher level of risk. Finance company being only a financial intermediary, we will not be able to make any profit unless we mobilize funds suitably. It is from out of the interest, finance company earns on loan and advance, further he has to pay interest on deposit meet liquidity of cash balance. Meet establishment expenses keep some balance for reserve and pay dividend to the shareholders.

Investment in its broadest sense means the sacrifice of certain present value for future value (Sharpe & Alexander, 1994: 39).

Investment is the commitment of funds to one or more assets that will be held over some future time period. Investment is concerned with the management of an investor's wealth, which is the sum of current income and present value of all future income (Charles, 1993: 97)

An investment may be defined as the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time the funds are committed for the expected rate of inflation and also for the uncertainty involved in the future flow of funds (Reilly, 1991: 3).

Investment policy is defined responsibility for the investment disposition of the banks assets in terms of allocating funds for investment and loan, and establishing responsibility for day-to-day management of these assets (Beslay, 1973: 17).

Bajracharya (2047) in the article, "Monetary policy and deposit mobilization in Nepal" has concluded that the mobilization of domestic saving is one of the monetary policies in Nepal. For this purpose, commercial banks stood as the vital and active financial intermediary for generating resources in the form of deposit of the private sector so for providing credit to the investor's in different aspects of the economy.

Fry (1974) in the article "Resource mobilization and financial development in Nepal"

says that the interest rate fixing authorities cause adverse effect on income distribution. Interest rate affects the saving. and its mobilization. A high interest rate diverts the resources from unproductive tangible assets into financial claim. For Nepalese people and Nepalese undeveloped money and capital market, interest rate can be taken as an important weapon in mobilizing the internal resources. Higher interest rate pushed people to some money and it allows people to invest into best opportunities.

Pradhan (2053) in his article “Deposit mobilization, its problem and prospects” has presented that deposit is the life-blood of every financial institution like commercial bank, finance company, co- operative or non-government organization. He further adds consider the most of banks and finance companies that the latest figure does produce a strong feeling that serious review must be made on problems and prospects of deposit sector. Leaving few joint venture banks, other organizations rely heavily on the business deposit and credit disbursement.

The writer has highlighted following problems of Deposit Mobilization in Nepalese context:

- Most of the Nepalese do not go for saving in institutional manner, because of lack of good knowledge. However, they are very much used of saving in the form of cash or ornaments. Their reluctance to deal with institutional system is governed by the lower level of understanding about financial organization process, withdrawn system, and availability of deposing facilities and so on.
- There is unavailability of the institutional services in rural areas.
- Due to lesser office hours of banking system people prefer holding cash in the personal possession.
- There is no more mobilization and improvement of the employment of deposits and loan sectors.

The writer has also recommended the following points for the prosperity of deposit mobilization which are as follows:

- By providing sufficient institutional services in the rural areas.
- By cultivating the habit of using rural banking unit.
- By adding service hour system to bank.
- Nepal Rastra Bank should organize training program, to develop skilled

manpower.

- By spreading co-operative to the rural areas development mini branch services.

Sharma (2000) on his title, “Banking future on competition” found that all the commercial banks are establishing and operating in urban areas. His achievements are:

- Commercial banking are charging rate of interest on lending.
- Commercial banks are establishing and providing their services in urban areas only. They do not have interest to establish in rural areas. Only the RBB and NBL have branches in rural areas.
- They do not properly analyze the credit system. The researcher further states that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Kafle (1990) in the topic, “Monetary and financial reports in Nepal” states that consolidation and liberalization of interest rate measure is initiated with a view to provide more option to commercial banks in the mobilization of saving and portfolio management through market determined interest and lending rates.

Willamson (1998) in the topics, “Personal saving in developing nations” Found that saving and investment decisions are highly interdependent in Asia sectors interest rate. Mostly household people try to save money for short period. Its influence is less in the long run

Morris (1980) in his discussion paper “Latin America’s banking system in the 1980’s” has concluded that most of banks concentrated on compliance with central bank’s rule on resource requirement, credit allocation, and interest rates. While analyzing loan portfolio quality, operating efficiency and soundness of bank investment management has largely, operating efficiency and soundness of bank investment management has largely been overlooked, The huge losses are found in the bank’s portfolio in many developing countries and testimony to the poor quality of this ever sight investment function.

The writer adds that mismanagement in financial institution has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification of

lending and investment, high risk concentration connected and insider lending, loan mismatching. This has led many banks of developing countries to the failure in 1980's.

2.3 Review of Thesis

Phuyal (2035), in his thesis entitled "A study on the deposits and loans and advances of NBL" has tried to examine relationship between deposits and interest rates and to find out the causes of decrease in the loans and advances of the bank. Data is used for five years from the year 2028 B.S. to 2033 B.S. only secondary data are used. Coefficient of correlation has been applied in order to calculate the loans and advances and deposits.

In the thesis, the writer has found that to increase the loan and advances, the bank should not only consider the security of its borrowers. When bank provides loan without security then the person can utilize in one sense and borrowing is benefited in other way. Bank also should invest its resources to the technicians to import their technical tools. Loan and advances has been decreased due to high rate of interest. So, interest rate must be decreased to increase investment of the bank.

Karmacharya (1978) Conducted research on the topic of "A study on the deposit mobilization of NBL" has tried to examine the role of NBL in the deposits accumulation and to see how far the bank is able to utilize the collected deposits. This study covers 8 years data from the year 1970 to 1977 and based on secondary data. Correlation, percentage and ratio analytical tools of statistics are used for the analysis and interpretation of data.

The writer found that the deposit credit ratio is only 52% on average, which shows unutilized resources are increasing. The security-marketing corporation, which is recent established, can play an active role for utilization of unutilized resources. The writer further found that NBL should not only concentrate in the extension of short-term credit only. Bank should increase the level on priority sector and extent its branches to meet growing needs of the country.

Pradhan (2037) Conducted research on the topic of "A study on investment policy of

NBL” has tried to find out to what extent NBL has been able to utilize mobilized deposits. This study is concerned only from 2029 B.S. to 2034 B.S. and mainly based on secondary data. Various statistical tools: coefficient of correlation for testing the relationship between the deposits and loan and advances, ratio analysis to compare different factor like loan and advances and deposit, bank’s liquidity position, profitability condition etc.

The writer found that there is a greater relationship between deposits and loan and advances. Increase in deposits leads to increase in the loan and advances but when immense increase in the deposit leads to little bit increase in loan and advances. The writer also found that it could invest only 2.98% on the priority sector in 2034 B.S. bank could not mobilize its recourses. In the thesis, the writer recommended that the bank should invest more on agriculture sector and further says the bank should make clear-cut policy to provide the loan. The bank should invest on risky sector to earn more profit and increase the rate of interest in deposit side and decrease in loan and advances.

Shrestha (2042) Conducted research on the topics of “A study on deposit mobilization and utilization of commercial banks with reference to NBL” with the objectives is:

1. To sketch the deposit mobilization of NBL.
2. To analyze the impact of interest rate in deposit mobilization.
3. To analyze the impact of branch expansion on the deposit mobilization.

This study covers ten years data from the year 2031 B.S. to 2040 B.S. It is limited to deposits and loans and advances only. The study is primary based on secondary data. In this study, statistical tools like percentage changes, correlation test is done and to test its significance analysis, probable error test is carried out.

On the theses, the writer found that NBL has been much sufficient in collection of resources from the people in both urban and rural areas of the country, but in the process of utilization, the bank is still behind. The interest rate has played important role in mobilizing and utilizing the resources of the bank. So, the structure of interest rate should be changed according to the need of nation. It is also suggested that to expand availability of banking services, branch expansions policy should be

continued to mobilize resources as well as accelerate lending to productive sector.

Neupane (1986), Conducted research on the topic of “Deposit mobilization of commercial banks in Nepal, comparative study of RBB and NBL, Kirtipur Branch” with the objectives of:

- To examine whether RBB, Kirtipur Branch is successful to complete with NBL, Kirtipur branch in relation to deposit and loan advanced..
- To examine how for RBB, Kirtipur Branch is successful to provide door-to-door services to its customers in the collection of more deposits.
- To examine how far the deposits of RBB, Kirtipur Branch have been efficiently mobilized.

This study covers deposit and credit during the year from mid-July 1976 to mid- July 1985 of RBB and NBL Kirtipur Branch. The study is based on both primary and secondary data. Karl’s Pearson’s formula of coefficient correlation has been used to compare various variables.

In thesis research, the writer has found that a comparative study of deposit between the two bank branches shows a good position of NBL branch’s deposit comparison to RBB branch as well as credit position. The writer has also mentioned that the activities of the branch for mobilizing deposits seem to be idle. The branch has taken no steps for collecting more deposits or advancing more loans except the customers they knock the door of the branch. Lastly the researcher found that RBB Kirtipur branch is not successful to collect maximum deposit from the area it covers.

So, the researcher has recommended that local staff can play an active role in deposit mobilization. For so, at least four local staffs are suggested to appoint in the RBB branch out of 8 staff in deposit counter. He has further suggested that there should be a certain budget to the branch for advertisement about its activities and interest rates must be revised.

Shrestha (1987) conducted research on the topic of “A comparative study on resource mobilization of NBL and RBB,” has tried to see the branch expansion of the banks as sector wise and to examine which bank is mobilizing its deposit property. This study covers the data from the year 1982 to 1986 and basically based on secondary data.

The writer found that Branch expansion of RBB is more than NBL but branch expansion activity of NBL is more than RBB in rural areas whereas in the urban areas as vice versa and the mobilization of total deposits of both banks are in increasing trend but RBB is rather efficient in mobilizing the saving deposit and time deposit than NBL.

Karki (2001) Conducted research on the topic of “An analysis of deposit mobilization of RBB, Lahan Branch” has tried to see the impact of interest rate on deposit mobilization also to know the efficient utilization of the accumulate deposit. This study is mainly concern with the RBB Lahan Branch. The data presentation analysis of deposits and loan advances is limited to the period of ten year from the year Mid-July 1990 to Mid- July 1999. Most of data are secondary type and applied the correlation coefficient as statistical tool. In the study, the researcher has found that RBB Lahan Branch is less successful to collect maximum deposit and also the deposits cannot efficiently utilized and there is negative correlation exists between interest rates and total credits. For so, the researcher has recommended that bank should extend long term credit, the bank should not very much conscious about its security. The person, who has skill but not security, does not get loan from the bank. The bank should decrease interest on credit side and staffs should be trained. Finally, the researcher has suggested that there should be frequently communication between staffs and key customers, particularly businessman.

Agrawal (2002), Conducted research on the topic of “A study on deposit and investment position of YetiFinance Company Limited” has tried to examine the trend the deposit position and investment position of the Yeti Finance Company. That study was conducted on the basis of secondary data and used various financial tools to analyze the data. Study just covered only period of 5 years (i.e. FY 1996/97 to 2000/2001). The researcher has found that the deposit policy is not stable but has highly fluctuating trend and investment is gradually in increasing trend. The researcher found there is highly positively correlation between total deposit and total

investment. The researcher concluded that finance companies have been found profit oriented, ignoring the social responsibility, which is not a fair a strategy to sustain in long run. Therefore, it is suggested the company should involve in social program which helps the deprive people who are depended helps in agriculture. Agriculture is the paramount of Nepalese economy so that any finance company should not forget to invest in this sector. In order to do so, they must open their branches in remote area with an objective of providing cheaper financing services.

The minimum amount to open accounts and interest rate on credit should be reduced which ultimately intensify the profit and goodwill of the company in future. But in his research there is not clearly mentioned the effect of interest in deposit collection as well as in investment.

Tandukar (2003) Conducted research on the topic of “Role of NRB in deposit mobilization of commercial bank” has tried to examine role of NRB in deposit collection by the commercial banks and to analyze the trends of deposits mobilization towards total investment and loan and advances. Projection is for five years i.e. (1998 to 2002). The data used in that study is both secondary and primary nature. The researcher used different financial tools such as liquidity ratio, activity ratio, profitability ratio, risk ratio and coefficient of correlation, trend analysis as statistical tools. The researcher took 17 commercial banks as population and three banks i.e. Nepal Arab Bank Limited (NABIL), Standard Chartered Bank Nepal Limited (SCBNL) and Himalayan Bank Limited (HBL) as sample banks. The researcher has found that it can be said that all new directives of NRB of commercial banks are effective and it is good for both nation and the future of the banks but the loan classification and provisioning seems to be little bit uncomfortable to the commercial banks. And deposit and loan and advances of NBBL are higher than EBL but in case of the investment EBL is able to mobilize more funds than NBBL in this sector.

In the study, only concentrate on two banks. The researcher has recommended to NBBL that diversification of loan and investment is highly suggested to the bank. As NBBL has given priority in investment in treasury bills, which is risk free, but it yields very low return to the bank and recommended to EBL to collect the deposit by initiating various new programs to attract the customer for this it can pay a higher

interest rate than other banks recently providing.

Roy (2003) Conducted research on the topic of “An investment analysis of Rastriya Banijya Bank” has tried to analyze relationship of loan and advance, and total investments with total deposit and to compare it with that of NBL and to compare loan and advance, total deposit and net profit of RBB and compare it with of NBL. That study was based on secondary data covering five years period from FY 1992/93 to 1996/97. The researcher used most of financial tools and coefficient of variation (C.V.) as statistical tools.

The researcher has found that RBB has good deposit collection, loan and advances and small investment in government securities. It also found that profitability position of RBB is the worth. RBB needs immediate step to increase its profitability. It also further found that RBB has more low quality of loan and advances.

The researcher has recommended that RBB should enhance its investment in securities. Small amount investment in securities of good company brings better income than large amount investment in securities of worse companies. So RBB needs to conduct proper pre-analysis before such investment. He also recommended that RBB should decrease loan loss by decreasing its poor quality of loan and advance. It needs to revise credit collection policy. He further suggested that RBB should decrease interest expenses and unnecessary fixed assets expenses and administration expenses and unnecessary fixed assets expenses and administration expenses should be controlled. Moreover RBB should enhance its off-balance sheet operation, remittance in order to increase its earnings.

Gupta, (2003) Conducted research on the topic of “Deposits and reinvestment problems of Nepalese commercial banks” said that strengthening and the institutionalization of the commercial banks is very important to have a meaningful relationship between commercial banks and national development through shift of credit to the productive industrial sectors. At the same time the series of reforms is also needed such as consolidation of commercial banks, directing attention to venture capital financing appropriate risk return trade of by linking credit to timely repayment schedules, avoiding imperfection, allowing flexibility in lending, one window service

from NRB, need of strong supervision and monitoring from NRB, diversity scope of activities for commercial banks, professional culture within commercial banks, etc. All these are necessary to ensure better future performance of commercial banks that have already been established and growing in Nepal.

The commercial banks in Nepal must work hard to prove that they are really efficient and viable agencies for mobilization of saving and its canalization into productive sectors, are professionally managed and competent enough to ensure adequate rate of return on investment and are strategically well planned to be competitive.

CHAPTER - III

RESEARCH METHODOLOGY

Research Methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in views. In other words, research methodology describes the methods and process applied in the entire subject of the study. This chapter refers to the research process from the theoretical underpin to the collection and analysis of the data.

3.1 Rationale of the selection of the study area

Evolution of modern financial sector in Nepal began from banking sector. Nepalese financial sector is based on commercial banking sector. So the development of financial sector depends on development of commercial banking sector. But in recent year banking sector has been facing many problems. These sectors have been therefore selected for the study.

Six banks have been taken as sample that covers government, semi- government and non government bank. This may represent problem of all banks. So these banks have been chosen for the study.

Consumers of bank associated to handicraft business have been taken as sample. Handicraft business is one of the oldest businesses of Nepal and it has contribution in GDP at present also. It is generally organized as cottage industry and has been facing more problems in finance. This area has been taken as sample to study so that it may help to expose problems of consumers. As I know this business to some extent, this study also helps me. So consumers of this area have been chosen.

3.2 Research design

A research design is the arrangement of conditions for collection and analysis of data that aims to combine relevance to the research purpose with economy procedure.

"Research design is the plan, structure and strategy of investigations conceived so as to obtain answer to research questions and to control variations." Wolf and pant.

The research has been followed for the study is descriptive as well as analytical. Descriptive research design also has been used in this study. It is helpful to describe the entire observed and perceived commercial banking sector facts, through banks

staff's performance, their thinking and its relations with consumers and opinion of consumers.

Analytical research design has been used to analysis past performance of CBs. For present, it is necessary to analysis past activities and its impact on banking sector growth.

3.3 Nature of data

The data used in this study are qualitative as well as quantitative. Both primary and secondary data have been employed here. Primary data have been collected during the study and the conversation with key information whenever they were met. To find out the problem of banking sector questionnaire and unstructured interview has been conducted with the bank staff. The consumers of banks related to handicraft business have been also interviewed and asked them to fill up questionnaire to find out their problems.

Secondary data have been taken from all the sample banks including NRB, the annual reports published by relevant banks, economic bulletins and banking statistics etc. published from NRB and some journals published by NRB and the relevant banks, some newspapers and web pages. Likewise, unpublished master's level thesis and studies have been taken as a source of data. Questionnaire used for this purpose has been given in the annex.

3.4 Population and sample

The limitation of time and unavailability of the relevant data has forced me to make research on the few CBs, even though there are 31 CBs (till Mid July '2012) functioning all over the kingdom. And also there are numerous consumers having business deal every day but this study covers opinion of a few consumers.

Population and selected samples

S. No.	Area	Population	Selected sample
1.	Commercial Banks	31 CBs	6 CBs
2.	Bank staff	31 CBs	26 staff of 6 samples CBs
3.	Consumers of CBs	All consumers of CBs	58 consumers (related to the handicraft business)

The population for this study comprised all the operative CBs. And 6 banks are selected as a sample among 31 banks. Those are:

1. Nepal Bank Limited.
2. Rastriya Banijya Bank.
3. Nabil Bank.
4. Standard Chartered Bank Nepal Limited.
5. Nepal Investment Bank Limited.
6. Nepal Bangladesh Bank Limited.

For the purpose of opinion survey, the study has taken all the staffs and consumers of 31 commercial banks as population. The 26 staffs among selected banks and 58 consumers of CBs related to the handicraft business have been taken as sample.

It is assumed that the selected sample of the respective settlements sufficiently represents the whole bank that is unit of analysis here.

3.5 Sample Characteristics

The first sample comprised one government owned bank one semi-government bank and four non- government Banks. Government owned bank i.e. RBB is seen as a big bank of Nepal operating from 117 branches by the end of mid July 2006 semi-government bank i.e. NBL has position and operating from 116 branches by the end of mid July 2006. In the same way the four non-government banks NABIL, NIBL, SCBNL and NBBL are operating from 16 branches, 15 branches, 11 branches and 18 branches respectively by the end of mid July 2006.

The second sample i.e. bank staff, comprised, 7 staffs from government bank, 14 staff from semi- government bank and 5 staff from non-government bank. In which most of staffs are officer level. The third sample i.e. consumers of bank, comprised 26 artist/artisan, 14 entrepreneurs and 18 businessmen. They are related to handicraft business and belong to cottage industry.

3.6 Data Collection Technique

Different types of data from several sources are necessary for this study, therefore, both qualitative and quantitative data have been collected Qualitative data are

collected through traditional method like field observation and unstructured interview, structured questionnaire, etc and quantitative data are collected through reports etc, published from relevant banks.

Before collecting secondary data first of all, I have surveyed the opinion of banks staffs and consumers by structured questionnaire, which has helped me to get basic knowledge about problem and prospects of CBs and then I have tried to find facts by secondary data and observation etc.

3.6.1 Observation

Observation method has been used to get relevant information for the study problems of every selected bank in the context of the banks working environment, the automations of banks, the capacity of serve to customers, its time period staff's behavior etc. have been observed similarly, locations of banks have been observed.

3.6.2 Unstructured Interview

Unstructured interview has been employed to collect information about the problems of banking sectors, identify sources of problems; its nature and aspects of prospect to growth and also consumers' basic needs in different time frame and problems facing by consumers. Unstructured interview has been taken during the filling up questionnaire and at collection of secondary data from related institutions.

3.6.3 Structured Questionnaire

Structured questionnaires have been applied to collect the basis information regarding the problems related to banks and their consumers. It collected the personal thinking about CBs. It is helpful to understand the overall problems of CBs. It also helps me to collect the secondary data because it gives me knowledge about problems facing spot and issue that provided me a guideline of necessary data

3.6.4 Collection of Secondary Data

After getting basic knowledge from questionnaire method the secondary data have been collected and collection has been concerted in factors found out through customers and staffs. Secondary data are mostly collected from the annual reports published by relevant banks, banking and financial statistics, quarterly economic

bulletins, economic indicators etc. published by NBL, NRB and some others are also used as sources of secondary data. Previous research reports and thesis etc, has also been considered.

3.7 The Method of Data Analysis and Interpretation

The collection data through various instrument and sources has been edited, coded, processed, analyzed and tabulated using simple mathematical, financial and statistical method like average, percentage, ratio analysis, trend analysis and hypothesis etc. figure charts and tables are used in relevant places. The qualitative data are ordered, analysis and descriptively presented in the subsequent chapters. The various tools applied in this study have been presented as under;

3.7.1 Correlation

Correlation analysis is defined as the statistical technique, which measures the degree and direction of relationship between/among the variables.

The numerical measurement of relationship between the two variables is denoted by symbol "r" whose values ranges from -1 to +1 i.e. $-1 \leq r \leq +1$.

- If $r = 0$, there is no relationship between the variables.
- If $r < 0$, there is negative relationship between the variables.
- If $r > 0$, there is positive relation
- If $r = +1$, the relationship is perfectly positive.
- If $r = -1$, the relationship is perfectly negative.

a) Simple correlation coefficient:-

The relationship between two (i.e. one dependent and one independent) variable is called simple correlation. The formula for calculating simple correlation coefficient (i.e. r) is:-

$$r_{12} = \frac{N \sum d_1 d_2 - (\sum d_1) (\sum d_2)}{(N \sum d_1^2 - (\sum d_1)^2)^{\frac{1}{2}} (N \sum d_2^2 - (\sum d_2)^2)^{\frac{1}{2}}}$$

b) Multiple correlation coefficients:-

The study of relationship among the three or more variables simultaneously (i.e. at the same time) is the multiple correlation. If we are interested in determining whether there is any joint effect of a group of related independent variable we should compute

multiple correlation.

$$R_{1,23} = \frac{\sqrt{r_{12}^2 + r_{13}^2 - 2r_{12} \cdot r_{23} \cdot r_{13}}}{1 - r_{23}^2}$$

The square of the coefficient of multiple correlations is called coefficient of multiple determination and it can be obtained by squaring on both sides of equation.

3.7.2 Growth Ratios

Growth ratios represent how well the CBs are maintaining their economic and financial position. The ratios can be calculated dividing the last period figure by the first period figure then by referring to the compound interest tables. This high ratio generally indicates better performance of a bank and vice –versa.

$$\text{Growth Rate} = \frac{\text{This Year Amount}}{\text{Last Year Amount}}$$

And then by referring to the compound interest table.

3.7.3 Trend Analysis

Trend analysis is a significant tool of horizontal financial analysis. It is a dynamic method to indicate the changes in terms of financial statement. trend analysis helps to identify the controllable items of given period and future forecast can be made for on going concern. It is one of the useful tools on making a comparative study of the financial statement of the number of years. It makes easy to identify the changes in an item or in a group of items over a period of time and to draw the conclusion regarding the changes there on.

Under this topic, trend of deposit and borrowings, loan and advances, total investments, net profit and loss, interest rate and proportion of non – performing loan are forecasted for next five years. The projections are based on the following assumptions

- the main assumption is that other things will remain unchanged,
- the bank will remain in the present position
- the economy will remain in the present stage
- NRB will not change in guidelines to CBs.
- the forecast will be true only when the limitation of least square method is carried out.

Least Square Method:

This is one of the most commonly used methods to describe the trend. This is the mathematical method.

The straight line trend between the dependent variable y and the independent variable x (i.e. time) is representing by equation:

$$Y_e = a + bx$$

Where,

Y_e = estimated value of y for any given value of independent variable x

a = y -intercept or value of y when $x = 0$ i.e. $a = \frac{\sum y}{n}$

b = slope of the trend line or amount of change in y per unit change in x i.e. $b = \frac{\sum xy}{\sum x^2}$

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

Introduction

This part is concerned with the presentation of collected data in suitable tables & diagrams as well as analysis and interpretation of those data using various statistical and financial tools. Different types of ratios have been calculated to reach in the conclusion of this study.

4.1 Problems of CB in relation to deposit Mobilization

4.1.1 Deposit Mobilization

The main objectives of a commercial bank are to safe guard the money of depositors. A main objective of CBs is deposit mobilization. The following table shows the situation of commercial banks with relation to deposit collection and its utilization in recent years.

Table 4. 1
Deposit collection and its change rate (in million)

Year	RRB	Change	NBL	Change	Average of 4 Non-govt. banks	Change	Average	Change
2061	26968		28144		5554		20222	000
2062	33329	23.53	33092	17.58	6802	22.47	24408	-12.90
2063	38410	15.24	35578	7.51	8696	27.84	27561	12.40
2064	40500	5.44	35528	-0.14	11026	26.79	29018	5.3
2065	38964	-3.79	34060	4.13	11224	1.8	28083	-3.2
2066	39308	0.88	34737	1.96	12666	12.85	28904	2.90
2067	40313	2.56	36288	4.46	14928	17.86	30510	5.60
2068	43016	6.7	35934	0-98	15975	7.02	31641	3.70

From the above table it has been found that average deposit collection CBs expanded in review period. The deposit collection of Government bank (NBL) and semi govt. (RBB) bank decreases in comparison, deposit of the non-govt. banks expanded by higher rate. In the beginning year of the review period the increasing rate is very i.e. 12.40% but in the ending year 2068 the rate decreed to 3.70% these show that the deposit collevtion of CBs are not satisfactory. CBs are facing problem in deposit collection.

The table no. 2 show total investment in Govt. Securities, share, debenture and other investment and NRB bond.

Table 4.2
Investment and its change rate

Investment and its change rate								
Year	RRB	Change %	NBL	Change %	Average of 4 Non-govt. banks	Change %	Average	Change %
2061	2371		4475		506		1478	
2062	2784	17.42	5119	14.39	1230	143.08	2137	44.59
2063	4336	55.72	5462	6.70	1168	-5.04	2412	12.87
2064	5656	30.44	6776	24.06	2041	74.74	3433	42.33
2065	4170	26.27	7192	5.55	3992	93.16	4515	31.53
2066	4232	1.49	11782	64.74	4516	14.58	5685	25.91
2067	3142	-25.76	11023	-6.44	5461	20.93	6902	15.58
2068	89415.88	167.85	14199.22	28.79	5078.92	-0.7	9231.34	41.11

The above table shows, investment of CBs went up unevenly. In 1999 went up by 44.59% but it went up by 12.8%, 42.33%, 31.53%,25.91%,5.58 and 41.11% in the year 2063, 2064, 2065,2066, 2067 and 2068 respectively. It went up to 41.11 in 2068. It should be accepted that it expending rate in higher. In comparison of private and non govt. bank the increasing rate of semi- government bank is higher.

Table 4.3
Loan and Advances and its changes rate

Year	RRB	Change %	NBL	Change %	Average of 4 Non-govt. banks	Change %	Average	Change %
2061	22404		19472		3275		9163	
2062	26340	17.57	22394	15.01	3796	15.91	10653	16.26
2063	29140	10.63	22863	2.09	4741	24.89	11828	11.03
2064	28424	-2.46	22062	-3.5	6035	27.29	12438	5.16
2065	28516	0.32	20997	-8.24	7197	19.69	12719	3.74
2066	28258	-0.9	19266	-8.24	7197	19.69	12719	3.74
2067	26781	-5.53	19141	-0.65	8260	14.77	13161	3.48
2068	27001	0.82	8219	-0.42	9230.2	11.75	14817	12.58

The above table shows that the total loan advance of CBs is expanding by lower rate during the review period. The fluctuating rule of average loan and advance is higher in

preceding year in compared to following year i.e. 16.26% in 2062, 3.74% in 2066 and 3.48 in 2067 and 12.58 in the fiscal year 2068. Increase rate of loan and advance also higher of non govt. banks compared to Govt. and semi govt. banks.

Increase rate of loan and advance in lower than investment. So the CBs are more attracted to less risky investment. And non-govt. Bank are taking more interest towards it.

The ratio is calculated by dividing total investment by total deposit, which are presented in the following table:

Table no. 4.4
Investment to Deposit Ratio

Year	RBB	NBL	Average of 4 Non govt. Bank	Average
2061	8.79	15.9	9.11	11.47
2062	8.35	15.47	18.08	13.69
2063	11.29	15.35	13.43	13.30
2064	13.97	19.07	18.51	17.15
2065	10.70	20.99	35.12	22.97
2066	10.77	33.92	35.65	27.35
2067	7.79	30.38	36.58	26.42
2068	19.56	39.51	33.69	30.92

Above table shows that average investment of CBs to average deposit ratio have increasing trend during the review period. In the beginning i.e. in 2061 it maintained 11.47% ratio in average and it increases to 27.35% in the year 2066, which is the highest in recent six year. In 2067 it decreased to 26.42% and again in 2068 ratio increased by 39.92%. In 2068 the government bank have higher ratio of total investment i.e. 39.51% where as non -govt. bank and semi-govt. bank have 33.69 and 19.56% respectively.

So it is clear from above table that the CBs are more attracting to utilizing its resources on investment. They are more interested in risk less investment. Mainly non-govt. bank are attracting in these less risky investment.

4.1.5 Loan and Advance to Total Deposit Ratio

This ratio actually measures the extent to which the banks are successful to mobilize the total deposits on loan and advances for the purpose of profit generation. The following table no. 5 exhibits the ratio of loan and advances to total deposits of listed banks of review period.

Table 4. 5
Loan and Advance to Deposit Ratio

Year	RBB	NBL	Average of 4 Non govt. Bank	Average
2061	83.08	69.19	58.97	71.10
2062	79.03	67.67	55.81	68.27
2063	75.87	64.26	54.52	65.24
2064	70.18	62.10	54.73	62.12
2065	73.19	61.65	53.57	62.39
2066	71.88	55.46	56.82	61.19
2067	66.43	52.75	55.33	57.93
2068	62.77	22.87	61.23	48.96

The table shows that all CBs have decreasing trend. Average ratio of CBs in the beginning i.e. in 2061 is 71.10% and it decreased to 61.19% in 2066 and it also decreases to 48.96% in 2068. In the comparison of CBs Govt. bank have a higher ratio than semi-govt. and non-govt. bank. The Govt. bank have 66.43% in 2067, which is very higher than semi-govt. bank and non-govt. bank which is 52.75% and 55.33% respectively in year 2067.

From above description, it can be concluded that CBs are becoming weaker in ending year's comparison to beginning years in review period, to mobilize its total deposit as loan and advances. And in the case of comparison on the basis of bank ownership, non-govt. bank has been unsuccessful to mobilize higher amount of loan and advances. It should be noted that in the process of loan management of bank assets, so many factors are to be considered such as risk analysis, diversification, social responsibility, bank credit policy, limits of lending power etc.

4.1.4 Decreases Investment Opportunities

In recent year the investment opportunities decrease due to political situation of country. Due to murder and slaughter every sector of economy are affected very badly. Business crisis in other sectors due to country's political situation sectors also affected CBs. CBs are unable to invest in tourism, industries, trade etc. because of exceptional situation. In recent years, CBs investment is decreased and increased liquidity due to lack of opportunities. Due to lack of safety investment opportunities higher portion of deposit is remained in banks. Direct effect of this can be shown in rate of interest. Lack of investment creates trouble in CBs to give interest in collected

deposit. The banks that gave interest 7.9% before start to give 2.3% in 2066. NBL, which have higher interest rate among 17 banks, now decrease its interest to 3.4% from Nov.2067. CBs have controlled in tourism sector.

Banks are alleged to fix interest rates by cartel ling. Healthy Competition should have increased deposit rates and lowered credit rates. Now, both rates are falling. The average credit rate is 12%, the fix deposit rate 3-3.5%. One of the reasons for low deposit rates could be low credit flows and high deposits. Despite low interest rates, deposits are always rising. This indicates lack of investment opportunities in the market.

The directive of NRB, compulsory requirement to invest in priority sector also affected. CBs are not able to fulfill this requirement and they are ready to paid fine by unfulfilled this directive in spite of fulfilled the rate of investment in this sector. CBs have now postponed their loan disbursement in some branches and involve in recovered of non-performing loan. Many business holders related to tourism sector can't repay their loan as well as interest due to the crisis of this sector. Bank has made very strong rules to return their non-performing credit.

4.1.5 Liquidity

Every CB have to maintain its satisfactory liquidity position to satisfy the credit needs of the community, to meet demands for deposits withdraws pay maturity obligation in time and convert non cash assets into cash to satisfy immediate needs without loss to bank and consequent impact on long run profit.

(a) Cash Reserve Ratio

The following table shows the cash reserve ratio of CBs. The table indicates that Govt. owned banks have maintained very higher cash reserve ratio than NRB. Directives. But it has decreasing trend of CRR. The CRR of semi-govt. bank i.e. NBL is satisfactory. In the case of non-govt. bank the average CRR of the banks is lower than NRB directives. And also have decreasing trend

Table 4. 6
Cash Reserve Ratio

Year	RBB	NBL	Average of 4 Non govt. Bank	Average
2061	38.26	25.46	12.04	19.97
2062	32.61	17.42	9.32	14.55
2063	37.46	21.50	9.87	16.40
2064	37.05	17.59	8.37	14.69
2065	30.08	19.34	9.45	14.65
2066	9.48	-	8.90	9.01
2067	17.18	-	8.51	10.68
2068	11.78	13.54	7.23	10.85

The above analysis helps to conclude that Govt. owned RBB is inability to invest fund in income generating areas. So it has to invest more otherwise high ratio of cash may be loose its profit. And non govt. bank have to improve or increase their CRR as directed by NRB. Otherwise they may face problem to meet their daily cash requirement.

(b) Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance an assets that constitute the banks first line of defense and consist of cash on and, foreign cash on hand, cheques and other cash items, balance with domestic banks and balance held broad.

The following table no. 7 shows the cash and bank balance to total deposit ratio of CBs.

Table 4.7
Total cash and Bank balance/Total Deposit

Year	RBB	NBL	Average of 4 Non govt. Bank	Average
2061	38.26	25.46	41.51	35.04
2062	30.84	24.28	40.36	34.07
2063	35.49	21.50	42.20	34.07
2064	35.95	22.66	30.92	32.66
2065	38.73	23.68	25.90	29.49
2066	20.76	1373	18.06	17.70
2067	26.55	17.76	18.19	20.55
2068	14.32	15.45	7.32	12.36

Above table shows average ratio of cash and bank balance to total deposit is higher but in decreasing trend. In the beginning of review period its ratio is 35.04 but in the last year i.e. in 2008 it is just 12.36 percent. Non-govt. bank have higher ratio in comparison to other Govt. bank and non-govt. bank. In the beginning of review period i.e. 41.51% in 2061 but it decrease to 18.19% in 2067 which is lower than govt. owned bank RBB. The above analysis helps to conclude that, CBs have sound cash

and bank balance position. It implies the better liquidity position of CBs. In contrast, a high ratio of earning cash and bank balance may be unfit, which indicates the banks inability to invest funds in income generating areas. Thus, it may invest in more productive sectors, short-term marketable securities, and treasury bills etc. ensuring enough liquidity which will have the bank to improve its profitability.

But the liquidity ratio is decreasing trend it can be said that they have doing well in recent years and it may help to growth of banking sector.

(c) Loan and Advances by time period

The banks in urban areas do have normally excess of deposits over the demand for loans therefore have the problem of excess liquidity. Not only the banks have higher liquid funds, the banks are more interested in the short term loan and advances, and investment. The following table no. 8 shows average loan and advances by time period of four non-govt. Bank as I haven't received another Govt. owned banks.

Table 4.8

Investment and loan and advance by time period (in million 2068)

Time Period	Average Investment	% in total Inv	Average loan & advance	% in total loan & adv.
1to 90 days	3058.50	43.38	2304.75	38.48
91 to 180 days	464.48	6.59	611.75	10.21
181 to 270 days	122700	17.40	340.25	5.68
271 days to 1 Yrs	615.00	8.72	903.75	15.09
Total (A)	5364.98	76.09	4160.50	69.47
Above 1 Yrs(A)	1685.50	23.91	1828.75	30.53
Total(A+B)	7050.48	100	59989.25	100

From the above table, in an average maturity period of 76.09% of total investment is 1 day to 1 year and only 23.91% investment is above one year. And among the short term investment also 90 days loan. In same way, 69.47% of total loan is of short term and only 30.53% of total loan and adv. Is above 1 year maturity period and among the short term loan also 38.48% of total loan is 90 days maturity. From the above examination, it is clear that CBs are preferred to invest in short term loans and securities. They are more concentrated about liquidity and interested in less risky investments. So, Nepalese financial sector couldn't get success to fulfill its requirement of long-term funds from this sector. In undeveloped countries like, Nepal, CBs have to play a role of development banks due to lack of other specialized

institutions. CBs have to provide long-term nature funds as development banks. But they have not done as requirement.

4.1.6 Interest Rate

The following table shows the weighted average interest spread of listed banks

Table 4.9
Weighted Average Interest Rate Spread

2061	5.55
2062	4.72
2063	4.78
2064	4.52
2065	4.28
2066	3.82
2067	4.40
2068	4.23

From the above table it is clear that the interest spread rate, difference between interests paid to the depositors in the same as NRB directives requirement i.e. 5%. So NRB is successful to maintain spread rate to 5%. But it is a big problem to CBs because the main income of CBs is difference between interests paid is received. Banks have to manage all expenses through it. And the spread rate is very low. (Detail in annex)

Another problem of deregulation of interest is freedom to CBs to determine interest rate, which causes variation in interest rate in every bank. The table given below shows the interest rate of six selected banks.

Table 4.10
Average Interest Rate of CBs for 2067 and 2068

	Deposit		Credit	
	2067	2068	2067	2068
NBL	4.75	2.50	10.00	10.00
RBB	2.50	2.25	12.25	12.00
NABIL	2.75	2.50	12.05	10.25
NIBL	5.00	5.00	13.50	13.50
SCBNL	2.25	2.00	11.88	9.96
NBBL	5.00	4.50	13.00	13.00
Av. Of 4 Non govt bank	3.75	4.12	12.61	11.67

The above table shows that there is higher difference of interest rate of all banks deposit as well as credit. The interest rate of Govt., Semi-Govt. and non-govt. bank is difference in same year. Not only this, the variation is existence among non-govt. bank also.

In deposit side the maximum average rate is 5.85% of NBBL in 2065 where there is also 2.89% rate in same year of SCBNL, which variation is 2.96%. NBBL gives higher interest than other banks in 2066 also but it decreases to 5.2% and lower rate is decreases to 2.82% of SCBNL in 2065. In same way, higher rate of credit is 13.35% of NBBL and lower rate is 11.88% of SCBNL. And in 2066 the higher rate of credit is 13.07 of NBBL and lower rate is 9.96% of SCBNL. Likewise, if the interest rate is compared among Govt., Semi-govt., and average rate of non-Govt. bank, the Govt. owned bank has higher rate in deposit in both year i.e. 5.2 and 4.9 in 2065 and 2066 respectively. In the same way, Govt. bank has higher interest of credit in 2065 i.e. 13.3% and non-govt. bank have higher rate in 2066 i.e. 11.57. From above table it is clear that the interest rate is not same of any bank. The variation of this rate is maximum that makes the depositor and borrower confused. (Detail in Annex)

Not only this is the interest rate decreasing continuously. This is shown in the table given below.

Table 4.11
Structure of Interest Rate

Year	2061	2062	2063	2064	2065	2066	2067	2068
Weighted average interest rate of deposit	7.75	7.35	6.025	5.375	4.675	6.75	5.75	5.25
Weighted average interest rate of Credit	15.5	13.7	12.85	11.95	11.7	12.6	13.00	12.36

Above table shows the interest rate of deposit and credit is decreasing. In deposit side rate has decreased to 5.25 from 7.75 during last eight years. It may uninspired to depositor to deposit their saving in the bank. And further it create problem to banks as it cause low collection of funds. The rate of credit also decreases in this seven years period but the decreasing rate of deposit and credit is different. In recent year, the

interest income of consumer is true into taxable income. It is also the cause of lower collection of banks' deposit because this rule discourages the depositors.

4.1.7 Competition

The competition is very necessary for growth of any sector. But it should be sound. If competition is unhealthy, it becomes cause of declining if that sector. So, CBs is healthy or not? And to know about competition with other sectors of financial system, I have collected some information which is presented below.

a. Competition among Commercial Banks

It is known that banks are always trying to grasp the consumers of other banks. It is known by them that they weren't trying to attract consumer by goods services but trying to attract by showing them more facilities then other banks. Bank treats different level consumer differently. The consumer says that they use to say if they transact with this bank in spite of other banks consumer is given more facilities then other banks. They are treated by different service quality. So, it is clear that unhealthy competitions are in existence among the banks. These things are found more in non-govt. banks in the views of the consumer.

Table 4.12
Aggregate Deposit collection and Loan Disbursement of CBs.

Year	Total CBs	Deposit	% Change	Loan/Acv	% Change
2061	11	93074		65090	
2062	13	115263	23.84	77866	19.63
2063	13	140637	22.01	91736	17.18
2064	15	164726	17.13	103420	12.74
2065	16	165092	2.22	106327	2.18
2066	17	180873	9.56	115727	8.84
2067	17	207544	14.75	130810	13.03
2068	18	291224	40.33	177383	35.60

Above table shows the number of banks total deposit collection and loan disbursement in the different year and percentage change. From the table it is clear that number of CBs is increasing rapidly but the growing rate of the deposit and loan and advance is decreasing. And also the rate of decreasing is very high.

In 2062 the no. of CBs increased to 13 from 11 and total deposit collection and loan disbursement increased by 23.84 and 19.63% respectively. In 2064 total number

of CBs is increase to 15 from 13, but its increasing rate of deposit collection and loan disbursement decreased to 17.13% and 12.74% respectively from 22.01% and 17.81% respectively in 2063. In same way number of CBs increased by 1 in 2065, but its increasing rate of deposit collection and loan disbursement increased only by 22 and 2.82 respectively. In 2066, no. of CBs increased by 17, and increasing rate of deposit and loan improved in this year compared to previous year, i.e. 9.56% and 8.84% respectively. But this rate is very lower compared to the beginning year of review period. In 2004 deposit increased to 14.75% and loan and advance increased to 13.03%.

The govt. owned RBB has 43 banks out of 117 semi-govt. banks. NBL have 51 branches out of 116 and 4 non-govt. banks have 20 branches in total out of 50 in central development region. The table no. 13 shows the total number of branches of sample CBs. From the above table it is clear that CBs concentrate on central part of the country. Mainly participation of non-govt. banks in other development region is very low.

Table 4.13
Total no of branches of CBs

Dev. Region	RBB	NBL	Total of 4 non. Gov bank	Total
Eastern	31	29	6	66
Central	34	51	29	123
Western	19	19	12	50
Mid-western	12	11	2	25
Far-western	12	6	1	19
Total	117	116	50	283

The competition among CBs is unhealthy, which is clear from above table no. 12 and 13 and consumers' view. All the banks are trying to serve in the same market i.e. central part of country. They are not trying to go on new market as they get higher profit easily in central area. The increasing rate of total deposit and loan disbursement decrease in very higher rate even though the number of bank increases. It should be noted that many other things affect the increasing branches and increasing rate of deposit collection and loan disbursement for example development of other region, social and political situation of the country and directives of NRB etc.

b. Mushrooming Growth of Financial Co. and Co-operatives:

All the cooperatives are operating limited banking transactions and are estimated to have collected a total deposit of about Rs four billion. The growth of saving credit cooperatives (the number has reached all most one thousand) without proper control and supervision of NRB is a major threat to the commercial banking sector this institution have grabbed consumers of CBs. So CBs are facing competition with there cooperatives. But the competition is unhealthy. [Nepal Rastra Bank, samachar, NRB, Kathmandu, Baishakh 14 2066]

The major competitors of CBs are finance companies; these companies are also operating banking transactions. And the disbursement process of these companies is faster than banks and easy to get loan. So the consumers of banks are attracted to these companies. And therefore CBs have lost some consumers on recent years.

The major reasons of attracting consumers of CBs in this sector are as given below:-

Minimum balance of CBs are growing extremely high in recent year that consumer couldn't afford it. Disbursement process of CBs is very lengthy. Consumers feel very difficult to receive loan from banks.

As many credit cooperatives are run a way after collected deposit from depositors, it impressed badly to consumers. Besides competition with these institutions, CBs have been facing panic due to these institutions. It has reduced belief of consumers not only from these institutions but also from all financial sectors of Nepal of some extent.

c. Un-Organized Financial sector

Nepalese FCs is concentrated in the capital city and other urban areas along with their loan concentration is some big houses where as rural area, which occupies amount 90% population has negligible number of such institutions and limited transactions. So they must depend on non-institutional FSS i.e. money lender, goldsmith. Landlord etc. whose interest is very high. It is known that the interest is very high. It is know that the interest rate is un-organized sector of urban areas is above 36%.

The CBs disbursement process is very lengthy and has to perform legal formalities. There is also another reason for growth of un-organized sector. So consumer who needs funds in short period and don't like legal formalities may go to the non-institutions financial sector. This sector is also used for cheating or to show artifice account in banks. For example, people who are going to abort have to show bank balance. And it is known by consumer that they borrow money from non-institutional sector and show balance temporary and after completion of formalities they with draw their money.

CBs must compete not only with organized sector. So in spite of higher interest rate unorganized sector has their complete domination on the financial matter of Nepal.

4.1.8 Internal Rules of Banks

All CBs have their own rule, plan and strategies. CBs have to perform their duties within the boundary of NRB's directive. Their aim may be enlarge their bank or provide better services. But sometime their internal rules create problems to customers. For example, CBs in urban areas raised the minimum balance varying from Rs 2 thousand to Rs. 50 thousand to be maintained in client's saving account from Rs 100 with a view to reduce operating cost. Therefore, even in urban areas small savers cannot avail of the services of commercial banks and also a large number of depositors were forced to close down their accounts opened earlier in CBs. So it can say that one of the reasons of decreasing deposit collection is higher minimum balance of CBs.

Change of rules in short period sometimes create problem in bank. One staff of semi-govt. bank said that sometime internal rules of bank changed very short snap of time without any previous notice. It created misunderstanding in relation of consumers and bank staff. He said, the consumers thought that bank staffs were making artificial situation and lengthy disbursement process to fulfill their selfishness.

4.1.10 Politicization of staff and selfishness

Politicization, lack of rural orientation among staff, their selfishness has been a big problem for banking sectors. The problem created by politic is that the political parties encourage the staff of this to have staff union linked with their trade unions. Politicization of the staff has now become a big problem in creating sound financial

institution. Mainly Govt. owned banks have many unions and back forced by different political parties. The union enforced mgmt. to work as their requirement. So mgmt. faces problems in mgmt. of bank. For example in 2003 June, NBL has dismissed some staff because they were in leave without information to bank. They again reappointed because of the bank union forced to mgmt.

In Nepal corruption is the big problem. In banking sector there is also applies corruption in staff. CBs 65% staffs also agree that one of the major problems of CBs is staff selfishness. They get commission from consumer from loan. Disbursement process and banking work. They don't work without fulfill heir self interest. CBs mainly govt. owned banks are facing this problem. Main reasons of this difference is low remuneration in govt. banks. Because of the reasons govt. owned banks also face the problem of less responsive off staff. They are also less interested to take responsibility compared to non-govt. banks. The bank staff of govt. owned banks said that if banks need good work than they had to pay well.

Similarly, staff are more interested to work in urban branches. Because when staff are transferred to rural banks the staff who have potential power postpone their transfer order or canceled their transfer order. But the staffs having no potential power are transferred to the rural area.

4.1.13. Political Intervention and Influences

In the development of sound financial system govt. political intervention is another major problem restraining factor. The government intervenes is not only in policy issues but also in policy implementation and management at every level of the institution. Majority share holder by the govt. would always invite the govt. interventions in the institution. However liberal and democratic the govt. may do. But it appears that some sort of the govt. representation may also be necessary in a market like ours, which is not fully developed and also the republication political parties activities like bands and strikes are the big problems of not only Bs but the problems of whole country. Another political problem is illegal operation of political parties. As we know, the country has gone through violent stage in recent years, these days CBs have faced many problems due to political evidences of Nepal. So NBL and RBB gave closed some branches and some are join with other branches. Likewise other banks couldn't open new branches as planned before.

4.1.14. Provision for the Single Borrower Credit Limit

The objective of lowering the risk of over concentration of bank loans to few big borrowers and also to increase the access of small and middle size borrower to bank loan NRB directed CBs to set an upper limit on the amount of loan financed to an individual firm, company or group of companies.

This rule is one of the cases of decreasing total loan disbursement. Banks are facing problem due to this rule as it reduces credit size at total and increases the no. of borrower. This is the main cause of higher cost of transaction. In broad sense this rule may prevent banks from panic because if there is no credit limit, bank may disburse loan in boundary areas and consumers, by which banks may face panic if the one filed is going downward. So it may possibly help in lowering risk of concentration in few areas. And also it will help to small and middle size business growth as they access to borrow loans from banks. So this rule may help for the growth of banking sector as well as other small and middle business.

4.1.15. Involvement in Research

CBs are not more interested in research. They don't examine to attract new depositor and to find new market. They haven't investigated before opening new branches. Mainly Govt. owned banks open their branches as Govt. requirement and its directives. So they have to face loss.

When I was visiting in research department of Govt. owned bank, I have seen no staffs were working and they were busy talking their personal matter. Although CBs have established research department but they haven't done as required. It is noted that I have visited there three times each to collect data. These branches main job is to collect data from different branches and have an account properly. So it can be said that these department are only name of research department.

4.1.13. Freedom

Every person needs freedom to perform their jobs properly. To know that bank staffs are getting enough freedom to do their job or not, I have collected views of bank staff. Many bank staffs are satisfied with their freedom and authority given to them, but some are not satisfied. They said that they have not been given enough authority and freedom

of decision-making. This view is mainly of flower post staff. They said some time they had to work with the pressure of many power. Staffs of non-govt. bank are satisfied but staff of govt. owned banks are not satisfied with their freedom. Staffs of non-govt. refuse to fill up questionnaire because I think they are afraid of management.

4.1.14 Automation

The govt. owned banks haven't been computerized though present era is automation era. So these banks haven't been successful to give faster services. Because of lack of automation, Govt. owned banks haven't succeeded in giving faster services to consumers. Opposed to non-govt. banks are able to give good quality and faster services by automation with few staffs. Govt. banks are not succeeded to give services as non-govt. banks. Govt. banks are facing automation and overstaffing problems these days. Consumer are attracted to non-govt. banks due to faster and new and modern services.

4.3.15 Loan Loss Provision

The banking sector is witnessing a huge surge in loan loss provisioning reserves recently. The increment is primarily a result of a directive issued by NRB in 2064 that introduced stringent loan provision criteria for commercial bank. As per data recently released by the central bank the total loan loss provision in the country's banking sector increased from around is 8.73 billion in 2064 to Rs. 13.18 billion in 2066. The increment is over 51%. The latest NRB figures, a remarkable surge has been seen in loan provision of NBL. Against the provision of Rs 1.7 million in 2065, the loan provision amount surged to a whopping Rs 7.33 billion in a year. The figure of RBB was available for last year the loan provision amount 2066 touched Rs 3.34 billion. However, the latest figure for both NBL and RBB are provisional. In case of NABIL bank the loan provision in one year period jumped from half a million rupees to over Rs 599 million. Likewise loan loss provision of NIBL also rose from half a million rupees to Rs 110 million, while that of SCBNL increased from Rs 21 million to Rs 274million. The loan loss provision of NBBL rose from Rs 78million to Rs 283 million.

(Source: Loan loss provision rises notably, June 10,2003, The Kathmandu Post)

4.4 Co-efficient of Correlation Analysis

It is shown that every part of CBs are suffering from problems. Deposit loan and advance is decreasing every year and non-performing loan is increasing. And two older and bigger Govt. owned banks are suffering from it more than other banks. Interest rate is decreased to very lower rate that it can't attract the depositors. From these events it can be considered that there is relation between these things. These things affect each others. So here I have tried to find what types of relation among these things are, and to what extent these things affect each others?

a. Co-efficient of correlation between Deposit and Loan and Advances.

Below table shows the value r and r^2 between deposit and loan and advance. In this analysis, deposit is independent variable (X_1) and loan and advance is dependent variable (X_2)

Table 4.14

Coefficient of Correlation (r)	Coefficient of determination(r^2)
0.9411	0.8856

From the above table it is found that coefficient of relation between deposit and loan and advance is 0.9411. It shows positive relationship between these two variables. It reveals that the movement of deposit and loan and advance is found in similar direction. If deposit increase loan and advance also increase and vice versa. The value of coefficient if determination (r^2) is 0.8856 mean that 88.56% of the total variation or changes in the value of loan and advances.

b. Co-Efficient of Correlation between Deposit and its Interest rates:

Following table shows the co-efficient of correlation between deposit and interest on deposit. In this analysis, deposit is dependent variable X_1 and interest rate of deposit is independent variable X_2

Table 4.15

Coefficient of correlation (r)	Coefficient of determination(r^2)
0.9855	0.9722

It is found that coefficient of relation between deposit and its interest rate is 0.9885. It shows positive relationship between these two variables. It reveals that the movement of deposit and interest rate of deposit is found in similar direction. If the interest of deposit increases the deposit will be increase and if

interest of deposit decrease, the deposit will be decreased. The value of coefficient of determination r^2 , is 0.9712 means that 97.12% of total variation in the value of deposit, i.e. X_1 is due to the effect of interest of deposit i.e. X_2 and remaining $(100-97.12)=2.88\%$ is due to the effect of other factor.

c. Co-Efficient of correlation between loan and interest rate on it

In this analysis, loan and advances is dependent variable X_1 and interest rate of loan and advances is independent variable X_2

Table No. 4.16

Coefficient of Correlation (r)	Coefficient of determination(r^2)
-0.9654	0.9320

From the above table, it is found that coefficient of relation between loan and advance and its interest rate is -0.9654. It shows the negative relationship between two variables. It reveals that the movement of loan and advance and interest rate of loan and advance is found in opposite direction. If the interest rate of loan and advance increase the loan and advances decrease and vice-versa. Moreover when we consider the value of coefficient of determination r^2 , which is 0.9320, means that 93.20% of the total variation or change in the value of loan and advance i.e. X_1 is due to the effected of interest of loan and advance i.e. X_2 and remaining $(100-93.20)=6.8\%$ is due to the effect of other factor.

d. Coefficient if correlation between Deposit, Loan and Advance and Investment:

Following table shows the value of $R_{1,23}$, $R^{21,23}$. In this analysis investment is dependent variable (X_1) and deposit and loan and advance are independent variables(X_2) and (X_3), respectively

Table No. 4.17

Coefficient of Correlation ($R_{1,23}$)	Coefficient of determination($r^2_{1,23}$)
0.7175	0.5148

From the above table it is found that coefficient of correlation between investment, deposit and loan and advance is 0.7175. It shows positive relationship between these three variables. If the deposit and loan and advance increased, investment will be increase and vice versa. Moreover we consider the value of coefficient of

determination R2, which is 0.5148, means that 51.48% of the total variation or change in the value of investment, i.e. X1 is due to the effected of deposit i.e. X2 and loan & advances X3 and remaining (100-51.48)%=48.52% is due to the effect of other factor.

e. Co-efficient of correlation between Non-Performing Loan, Size and Age of Bank

The following table 4.18 shows the coefficient of correlation between non-performing loans is dependent variable X1 and age and size of banks are independent variable X2 and X3 respectively.

Table 4.18

Coefficient of Correlation ($R_{1.23}$)	Coefficient of determination($r^2_{1.23}$)
0.9842	0.9686

4.5 Possibilities to Growth to CBs

4.4.1 Growth Ratios

Growth ratio represents how well the CBs are maintaining their economic and financial position. Here those growth are analyzed and interpreted which are directly related to the fund mobilization and investment management of a commercial bank. Under this topic, four types of growth ratio i.e. growth ratios of total deposit; loan advances, total investment and net profit are given as follows:

Table 4.19

	RBB	NBL	Average of 4 non-govt banks	Avg. of 6 Sample Banks
Deposit	8	6	17	10
Loan & Advances	5	12	17	8
Investment	15	13	55	29
Profit	0	0	14	0
Total Source of fund	11	15	11	14

The above table shows that the growth ratios of deposit in the case of non-govt. banks are significantly higher than that of other banks. The growth ratio of these banks is 17% where as the same of the RBB and NBL are 8% and 6%. It indicates these two Govt. owned banks' poor performance to collect higher amount of deposit year by year. We can conclude that RBB has failed to increase in its loan and advances with higher growth rate in comparison to the non-govt. banks and semi-govt. bank i.e. NBL. From the analysis of growth ratios of loan and advances in table 20, RBB's growth ratio of loan & advances is lower than that of NBL and other non-Govt. bank i.e. 5% < 17%.

The RBB and NBL seem to be failure to maintain higher growth ratio then non-govt banks. When we observe growth ratio of investment, we can conclude that non-govt. banks are going forward in investment then RBB and NBL. The non-govt. banks growth ratio on investment is 55% where as RBB and NBL is 15% and 13% respectively

NBL and RBB are operating in loss in review period but non-govt. banks are success to obtain profit and its growth ratio is 14%.

The growth ratio of NBL is 15% where as RBB and other non-govt. bank have 11% growth ratio in total sources of funds. From the above table we can fin that NBL has higher growth ratio then other banks in case of total sources of funds.

Finally from the above analysis it can be concluded that during the study period, NBL and RBB have failed to maintain higher growth ratio on deposit, loan and advance investment and net profit. It is obvious that NBL and RBB have not been able to increase its total deposit, loan and advance, investment and net profit at higher rate. Thus NBL and RBB should emphasize on improving performance in terms of collection deposit, growth of loan and advances, investment and profitability.

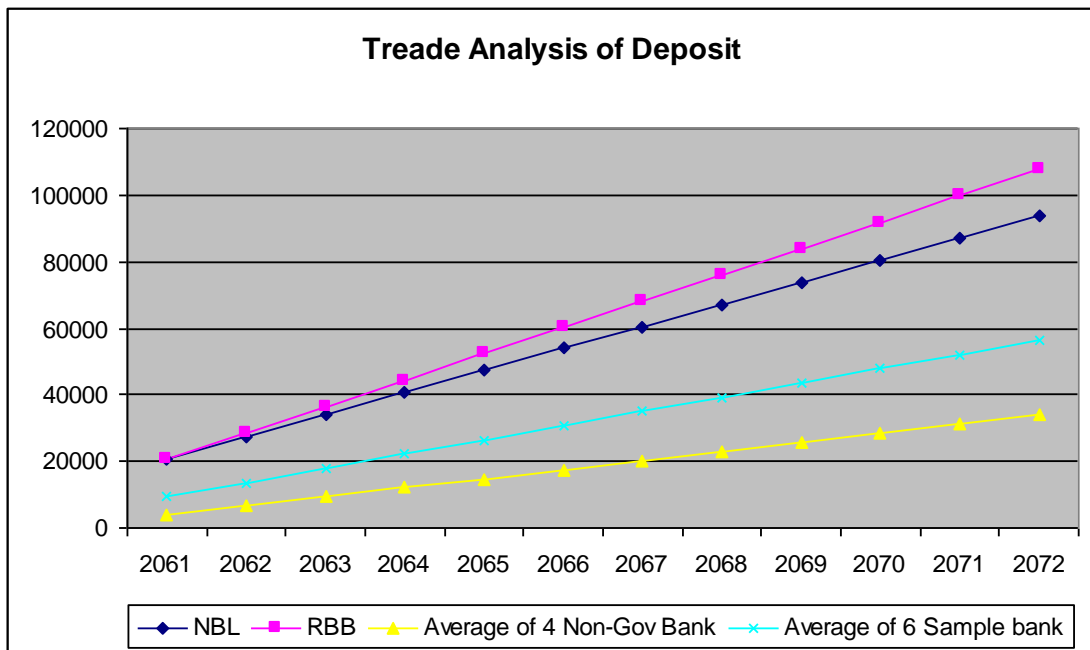
4.5 Trend Analysis

a) Tend Analysis of Deposit

Deposit included current, saving and fixed deposit, call deposit and other. Under this topic an effort has been made to calculate the trend value of total deposit of NBL and RBB average of sample non-govt. banks and average of sample banks for 7 years 2061 to 2067 and forecast for next 5 years till 2072

The chart given below shows the trend values of 12 year from 2061 to 2072 of sample banks

Figure : 4.1



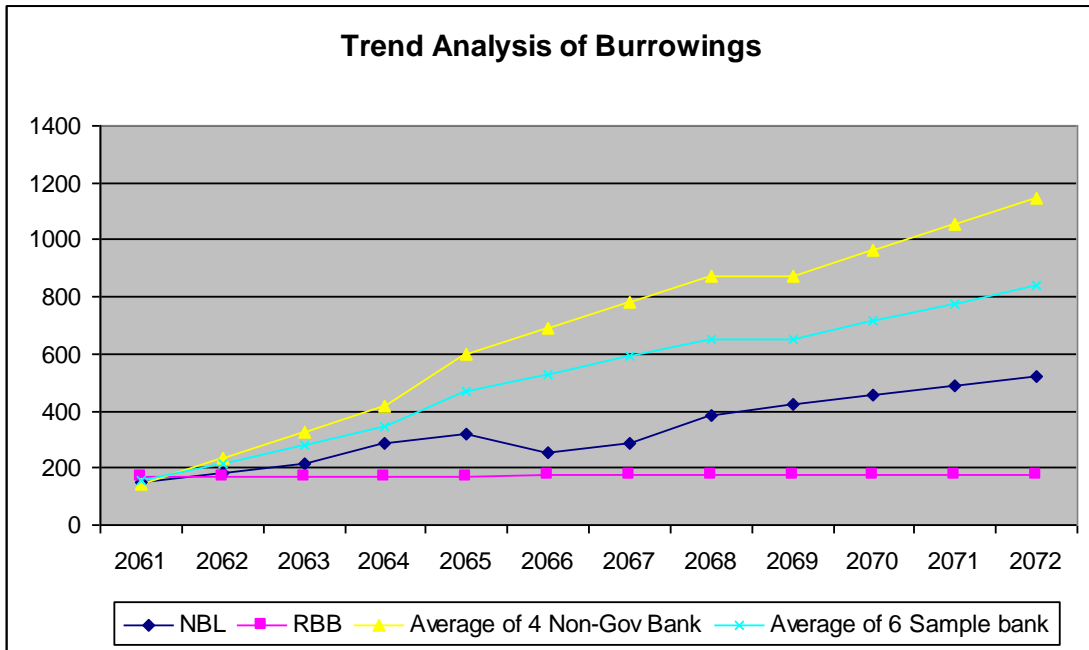
From the above figure it is clear that total deposit of NBL, RBB and average deposit of sample non govt. bank and average deposit of sample banks are in increasing trend. RBB remain the market leader in deposit collection. Other thing remaining the same, the bank will be accumulated a total deposit amount of Rs.107588 million in 2072, which is the highest under the study period. Similarly NBL remained the second largest banks in terms of deposit collection and the deposit of this bank will be Rs.93594 million in 2072. Some of the sample non-govt. bank and average of sample banks will be 93594, 34086 and 56257 respectively.

From the above analysis, it is quite obvious that RBB's deposit collections position is proportionately better than that of the other banks

b. Trend Analysis of borrowings

Here the trend values of borrowings of sample banks have been calculated for 7 years 2061 to 2067 have also been done. Total borrowing includes borrowings from NRB, inter bank, foreign bank and financial instruction. The chart no. 2 shows the trend values of 12 years from 2061 to 2072 of sample banks.

Figure 4.2

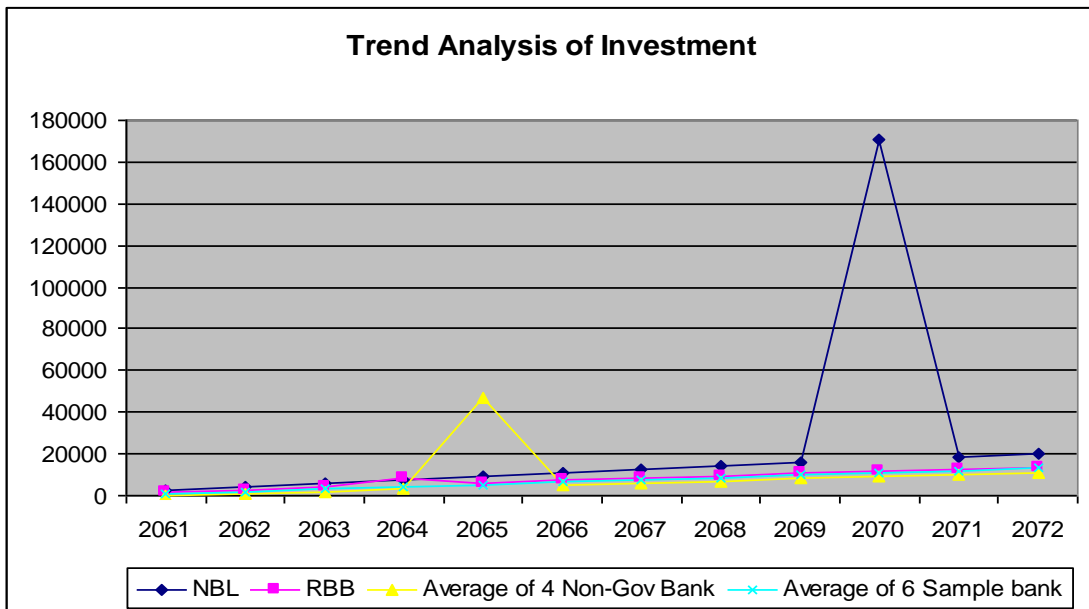


c. Trend Analysis of Investment:

Under this topic, an attempt has been made to analyze total investment of sample banks for 7 years from 2061 to 2067 and forecast of the same for next 5 year till 2072. Investment includes investment in Govt. securities, investment in share, debentures and other investment and NRB bond.

The chart no. 3 shows that trend values of total investment of sample banks for 12 years i.e. from 2061 to 2072.

Figure 4.3



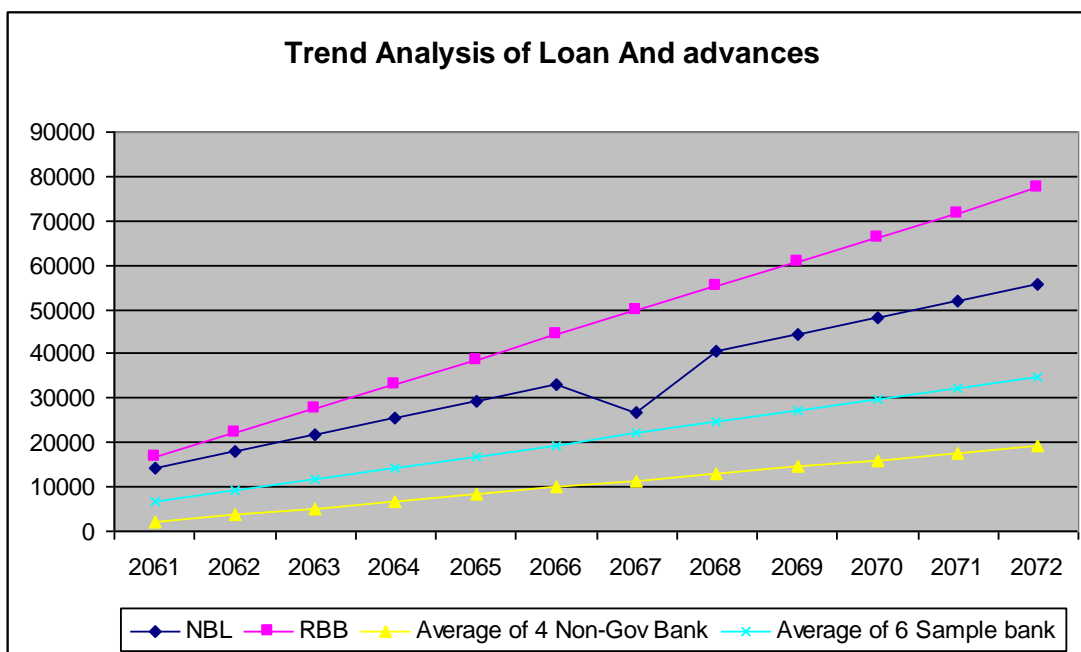
From the above figure of trend values of total investment, it has been found that the expected amount is in increasing trend. And it has been seen that investment if NBL is increasing rapidly than other banks. In the case of RBB, its investment has increased speedily in 2064 but it went down in 2065, and then it is increasing gradually. Other things remaining the same, the total investment of NBL will be 20335 in 2072 which is highest under the review period. Similarly, in the case of other banks it is going up year by year but its growing rate is lower than NBL.

Other things remaining same, total investment of RBB will be 13176 million in 2072 and 10975 million of average of non-govt. banks and it will increase to 12994 million in the case of average of all sample banks investment. In conclusion, we can say that all the banks are interested in risk. Less investment and it is increasing gradually in review period.

d. Trend Analysis of Loan and Advances:

Here, the trend values of loan and advances of sample bank gave been calculated for 7 years from 2061 to 2067 and forecast for next 5 years till 2072 also have been done. Loan and advance includes, loan and advance disburse to Govt. enterprise (financial and non financial), private sector for bills P and D, and foreign A.B.C. The following chart no 4 shows the trend values of 12 years from 2061 to 2072 of sample banks.

Figure 4.4



The above comparative chart makes clear that the loan and advances of all banks are increasing regularly. And that the RBB remained the largest banks in terms of volume of credit outflow. Other things remaining the same, the bank will extend total loans worth Rs.77303 in 2072, which is highest amount during the period of the study.

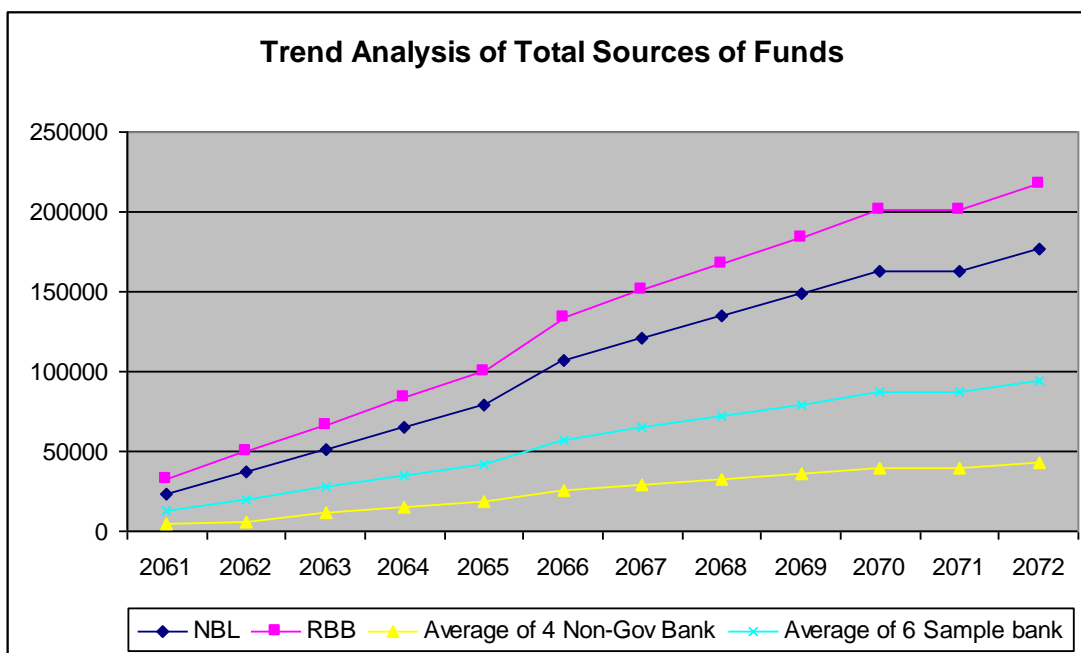
Similarly, NBL continued to capture the second position and its deposit will be Rs.5684 million in 2072. The same of average of non-govt. bank is 19144 million and 34927 million in the case of average of all sample banks.

From the above trend analysis, it is clear that RBB's utilization in terms of loan & advance is comparatively better than other banks.

e. Trend Analysis of Total sources of Funds:

Under this topic, an attempt has been made to analyze total source of funds of sample banks for 7 years from 2061 to 2067 and forecast of the same for next 5 years till 2072. The total source of funds includes capital fund i.e. paid-up capital reserves and retaining earning, deposit and borrowings. The following chart no. 5 shows trends values of total sources of funds of all sample bank i.e. from 2061 to 2072.

Figure 4.5



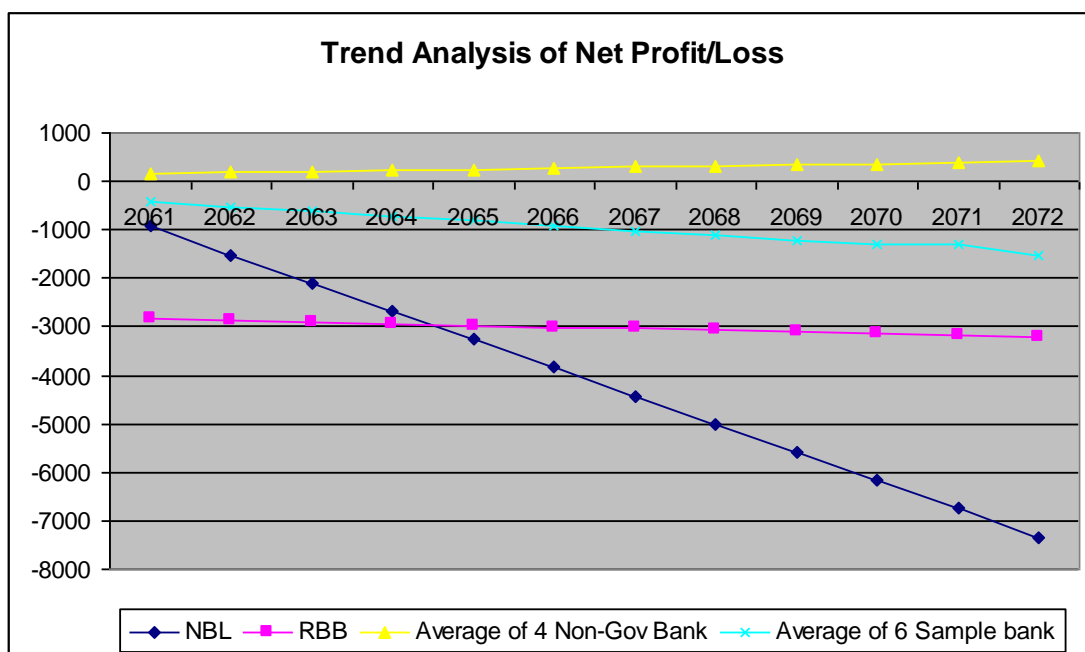
From the chart, it is clear that total sources of all banks are in increasing trend. Other thing remaining same, the total sources of fund of RBB will go up to Rs.217876 million

in 2009, which is the highest under the study period. Similarly, the same of NBL will be 176437 million, average of non-govt. bank will be 42703 and all sample banks will be 94192. From the above trend analysis it is clear that increase rate of total sources of funds is proportionately better of RBB than other banks.

f. Trend Analysis of Net Profit/Loss

Under this topic, effort has been made to analyze the net profit of all sample bank for 7 years from 2061 to 2067 and forecast of the same for next 5 years till 2072. The following chart no. 6 shows the trend value of nit profit/loss of sample banks for 12 year i.e. from 2061 to 2072.

Figure:4.6



From the above mentioned figure of net profit/loss, it is clear that only the non-govt. banks are obtaining profit in review period and its profit have increasing trend. But other two biggest and oldest banks i.e. NBL and RBB are in loss on review period. And its loss is increasing year by year. From the table it can be seen that the loss of RBB is higher in beginning of review period but it has been increasing very slowly. But in the case of NBL, its net loss is lower than RBB in the beginning of review period but it gas been increasing very quickly.

From the above mentioned figure of net profit/loss, it is clear that only the non-govt. banks are obtaining profit in review period and its profit have increasing trend. But other two biggest and oldest bank i.e. NBL and RBB are in loss on review period.

And its loss is increasing year by year. From the table it can be seen that the loss of RBB is higher in beginning of review period but it has been increasing very slowly. But in the case of NBL, its net loss is lower than RBB in the beginning of review period but it has been increasing very quickly.

Hence we can draw a conclusion that all banks seem to have failed to utilize its funds to earn satisfactory amount of profit. Mainly the two biggest bank i.e. NBL & RBB have failed to earn profit, that affects total banking sector position.

4.4 Black listing procedures

In order to check the growing NPAS problem of financial institution and to maintain the financial health of this institution by preventing risky investment the central bank has issued several directives strengthening its earlier blacklisting procedure.

A high level official at the central bank said that the NRB issued such directive to all commercial banks and financial institution ensures greater transparency during loan disbursement. The directives were issued to the financial institution after the NRB board of Director approved.

As per the new provision, all the financial institution are now required to disclose the name of the loan defaulters in every six months. Until now there was no legal system of disclosing the loan defaulter's name.

The new directive is also barred the financial institutions from lending any amounts of the black listed defaulter and his family member. The CIB can black list the firm, company or an individual upon failing to clear the debt within the stipulated period.

As per the set criteria for black listing the CIB would monitor those individuals and companies that have the principle loan of above Rs.1 million. "If a creditor fails to clear the debt amount within time, or is found misusing the loans among others the creditor can be blacklisted," the provision says. The NRB has formulated separate guidelines for the blacklisting companies and the proprietors that violate the agreed terms and condition signed with the credit suppliers. The newly announced provision has said that the properties along with the proprietorship firm the partners would also be blacklisted.

Further more, the shareholder holding 10% or more shares would be also blacklisted, if the public limited company fails to clear the dues within the agreed time frame. In case of private limited companies all the shareholders would be made responsible for the default and would be blacklisted.

As per the directives, the NRB has made it mandatory to acquire necessary information from the CIB prior to release loan of Rs.5,00,000 or more. Before disbursing the loan worth more than Rs.5,00,000 the commercial banks have been asked to make necessary consultations with the CIB and should provide necessary information about the creditors by charging some certain fees.

With an aim to update information of creditors the NRB has asked the commercial banks and other financial institution to provide information about the creditors having loan worth Rs.1 million or more to the CIB in every three months.

(Sources: Central bank tightens blacklisting procedures, the Kathmandu post 2003/09/15.)

a. Loan disbursement under priority sector credit program.

Priority sector credit program based on area development approach has been implemented through UB branches under the directions of NRB Agriculture. Cottage industry and service sectors have been recognized as priority sectors. The current situation of priority sector credit of listed banks in presented are as follows

Table 4.20
Priority sector loan

Particulars	NBL	RBB	NABIL	NIBL	SCBNL	NBBL	Average
Total	2049	N.A	2100	287	716	1025	1234.2
Priority Sector Loan Total							
Loan	10.43	N.A	26.92	1038	12.46	12.68	14.61

Source :- NBL, Annual Report of Relevant Banks

From the above table it is clear that the participation of CBs in PSCP is satisfied the average percent the of listed bank in 14.61 But all the banks couldn't flow loan as the required percent. NBL and NIBL have only 10.43 and 10.38% respectively

b. Commercial Bank Branches by developing region

RBB and NBL have more branches among all CBs i.e. 117 and 116 respectively Non-govt banks have maximum 16 branches. The table No. 30 shows the branches of CBs by developing regions. It shows two govt. owned banks are leading CBs by covering majority part of business areas From the table it is clear that business of CBs are concentrated in central development region as its branches are concentrated in this region. And it is also clear that only Govt. owned banks are able to established branches in all regions. NBBL have not opened their branches in all development regions.

Table 4.21
Commercial Bank Branches by developing region

Development Region	NBL	RBB	NABIL	NIB	SCBNL	NBBL	Total
Eastern	29	31	3	1	1	1	66
Central	51	43	7	4	4	11	
Western	19	19	5	3	2	2	
Mid-western	11	12	1	-	-	1	
Far Western	6	12	-	-	-	1	
Total							

Source : NRB Banking and statistics

From the above description it is clear that only the government bank all able to serve all development regions but their more branches are concentrated in central development region same as other non-govt. bank.

4.5 Major Finding of the Study

Problems of Bank in Relation to Deposit Mobilization.

(i) Deposit Mobilization:- From the deposit collecting investment and loan and advance and their ratio to total deposit of the bank, it is clear that the deposit collections of CBS are not satisfactory. The deposit collection of bank is expanded but its increasing rate is decreasing every year. The investment and Loan and advance of banks are increasing every year. But the increasing rate of investment is higher than loan and advance. In the same way the increasing rate of loan and advance is lower during the last years of review period than in the beginning period. The investment to deposit ratio is increasing and loan and advance to deposit is decreasing every year of all banks. The CBS are more attracted to utilizing its resources on

investment and also, it can be said that CBS are taking more interest towards less risky investment, mainly the non. govt bank.

(ii) Investment opportunity: Due to murder and slaughter, every sector of economy has been affected very badly. Business crisis in other sector due to country's political situation sector has also affected CBS . In recent year, the investment opportunity has decreased due to political situation of country. CBS are unable to invest in tourism, industrials trade etc. Interest rate in both deposit and credit decreases every year because of law.

(iii) Liquidity: CRR of NBL and RBB is very light but CRR of non-govt bank is lower cash and bank balance to total deposit ratio is higher in preceding years but it decrease very highly during last years of review period. The liquidity position of all banks is very higher and CBS prater to invest in short term loan and securities. They are more concentrated about liquidity and interested in lest risky investments. So Nepalese financial sector can't fulfill its requirement of Long-term funds from this sector. CBS have to play rote of development banks due to lack of other specialties institutions.

(iv) Interest Rate: There is higher different between interest rate of all banks deposit as well as credit.

NRB is successful to maintain spread rate to 5% the problem is that of freedom to CBs to determine interest rates which causes variations in interest rate in every bank. The interest rate of Govt. semi-govt and non-govt. bank is different in the same year. Not only is this interest rate of deposit and credit decreasing every year.

(v) Competition: - Services of all banks are limited in Kathmandu valley and rich business houses and are allays trying to grasp the consumers of other banks. Number of CBS increased to 17 from two govt. owned bank but then service quality and market hasn't increased yet. This makes us think that competition among CBS is unhealthy. It is known that consumers, who need funds in short period and don't like legal formalities, may go to the non-institutional financial sectors. This sector is also used for cheating or to show artificial account in banks. CBS must compete not onlywith organized sector but also with unorganized sectors, because, people from remote areas must depends on moneylenders, goldsmiths; landlords etc. whose interest rate is very high. so in spite of higher interest rate unorganized sector has their complete domination on the financial matter of Nepal, Mushrooming growth of

financial co-and co-operatives also increases the competitors of CBS. Besides these CBS have been facing panics due to these institutions as many credit cooperatives and running away after collected deposit from depositors, it impressed badly to consumers.

(vi) Internal rules of banks: CBS aim may enlarge their bank or provide better services. All CBS have their own rules; plans and strategies. But some time their rules create problems. In urban areas small savers can't avail of the services of commercial banks and also a large number of depositors were force to close down their accounts opened earliness in CBS. CBS in urban areas raised the minimum balance with a view, to reduce operating cost change of rules in short period sometimes create problem in bank. It creates misunderstanding between client and bank.

(vii) Political Intervention and influences the major problem restraining factor in development of sound financial system is government political intervention. The government intervenes is not only in policy issues but also in policy implementation and management at every level of the institution. The political problem is illegal operation of political parties. And also political parties' activities like bandas and strikes are the big problems of not only BS but the problems of whole country. These days CBS hare faced many problems due to political activities of Nepal. The banks couldn't open new branches as planned before. So NBL and RBB have closed some branches and some are merged with other branches.

(viii) Politicization of staff and selfishness: The problem created by polities is that the political parties encourage the staff of FIS to have staff unions linked with their unions. Politicization, lack of responsive, lack of rural orientation among staff, this selfishness has been a big problem for banking sectors. Mainly govt. owned banks may have unions and back forced by different political parties. The union enforces mgmt. to work as their requirement. Corruption is the big problem in these banks. And it is known that staffs don't work without fulfilling their self-interest. The staffs having political power always postpone or cancel their transfer order.

(ix) Involvement in research: CBS are not more introduces in research. They don't make study to attract new deposit or and to find new market whether consumers are satisfied on not etc. They haven't investigated to open new branches, mainly govt. owned bank open their branches as govt. requirement and its directives. So they have to face more loss. CBS have established research department by but they haven't done

as requirement.

(x) Provision for the single borrower credit limit: - It reduces credit size at total and increases the numbers of borrower and cost of transaction. But it prevents banks from panic because it may possible help in lowering the risk of concentration in few areas. And also it will help small and middle size business growth as they have access to borrow loans from banks, and provision for the single borrower credit limit is decreased.

(xi) Freedom: Staffs of Govt. owned banks are not satisfied with freedom and authority given to them. They said that because of insufficient authority and freedoms created lengthy disbursement process. But the staff of non-govt. bank are found frightened with might.

(xii) Automation: Most of branches of govt. owned bank haven't been computerized yet. Therefore govt. owned bank haven't succeeded in giving faster services to consumers opposed to this non-govt. bank are able to give good quality and faster services by automation with few staffs. Because of faster and new and modern services consumers are now being attracted to non-govt. bank.

(xiv) Loan loss provision: The banking sector in witnessing a huge surge in loan loss provisioning reserves recently. The increment is primarily a result of a directive issued by NRB in 2001 that introduced stringent loan provisioning criteria for commercial bank.

(xiii) Non-per forming loan: The percentage of non performing loan is very high. All the bank are facing this problem but NPLs are higher in govt. owned bank in comparison to private banks . this percentage of govt. and semi govt. bank i.e. RBB and NBL are facing extremely high percentage of non-performing loan. The one reason for higher rate in the branches of rural areas. And also investments are affected by govt. pressure If the banks can't collect in non performing loan in time, bank can't give back the funds to the deposition at the time of their requirement. Thus banks lose. Their belief from the customers, and also the banks lose their disbursement capacity continuously.

Coefficient of Correlation Analysis

- ❖ It is found that coefficient of relation between deposit and loan and advance is positive. It means if the deposit increases the loan and advances will be increased and vice-versa. 88.56% of the total variation or changes in the value of loan and advances xii clue to the effect of deposit.

- ❖ Coefficient of relation between deposit and its interest rate is positive. It means if the interest rate of deposit increases, the deposit will be increased and vice-versa 97.72% of the total variation or a change in the value of deposit is due to the effect of its interest rate.
- ❖ Coefficient of relation between loan and advance and its interest rate is negative if the interest rate of loan and advances increases the loan and advances will be decreased and vice versa. 93.20% of the total variation or changed in the value of loan and advances is due to the effect of interest of loan and advances.
- ❖ Coefficient of correlation between investment deposits, and loan and advance is positive if the deposit and loan and advances increase, investment will be increased and vice versa. And 51.48% of the total radiation or changes in the value of investment is due to the effect of deposit and loan and advances.
- ❖ It is found that coefficient of relation between non-performing loan size and age of bank is positive when age and size of bank loan increases the non-performing loan will be increased and vice versa. 96.86% of the total valuation or changes in the value of non-performing loan are due to the effect of amount of loan and advances and age of bank.

Possibilities to Growth of CBs:

Growth ratio: During the study period, NBL and RBB were failed to maintain higher growth ratio on deposits, loan and advances, investment and net profit. It is obvious that NBL and RBB haven't been able to increase its total deposit loan and advances, investment and net profit at higher rate. Thus, NBL and RBB should emphasize on improving performance in term of collecting deposits, growth of loan and advances, investments and profitability.

Trend annual years.

- ❖ Deposit collection of all banks is in increasing trend. And RBB's deposit collection position is pro fortunately better than that of the other banks.
- ❖ That total borrowing of all banks is increasing regularly and non-govt. banks have higher rate of growth.
- ❖ From the trend values of total investment, it has been found that the

expected amount is in increasing trend. It has been seen that investment of NBL is increasing rapidly than other banks.

- ❖ The loan and advances of all banks are increasing regularly. And that the RBB remained the largest bank in terms of volume of credit outflow, RBB's utilization in term of loan and advances is comparatively better than other banks.
- ❖ Total sources of banks are in increasing trend. Increases rate of total sources of funds is proportionately better of RBB than other banks.
- ❖ All banks seem to fail to utilize its funds to earn satisfactory amount of profit mainly NBL and RBB have failed to earn profit.
- ❖ Non-performing loan of non-govt. bank is in decreasing trend, and it decreases very quickly

Blacklisting Procedures

The provision said, if a creditor fails to clear the debt amount with in time, or is found misusing the loan among others, the creditor can be blacklisted. In order to check the growing NPAC problems of financial institution and to maintain the financial health of these institutions by preventing risky investments, the central bank have issued directives of blacklisting procedures.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This is the final segment of the study in which the researcher has presented the summary and conclusion along with some important suggestions.

5.2 Summary

In the framework of every economy CB occupies quite an important place. They provide capital for the development of industry, trade, business and other resource deficit sectors by inviting the saving collected as deposit. In this way they contribute to the economic growth of the nation. The development of the country is directly related to the volume of loan which is also obtained from CBs.

The problem of lending has become various for developing country like Nepal. Such as lower service quality, concentration in Limited Sector etc. The study is important interim of theory and practice. The finding may be helpful to study area of banking sector itself and to student of relevant subjects who have interest in this field. Various books, articles, reports and journals related to the study have been reviewed to sharpen the concepts, tools and techniques of the research.

There are 17 commercial banks among them 6 CBs are selected as sample banks, Descriptive and analytical research design employed to gather process and present the finding. The Data Collected through various techniques was qualitative and quantitative. The collected data through various instrument and sources are edited, coded, processed analyzed and tabulated using simple mathematical financial and statistical method. The qualitative data are concerned they will be ordered, analyzed and descriptively presented.

The major finding is related to problems of Bank in relation to Deposit mobilization Investment opportunities, liquidity, Interest rate, compaction, internal rules of banks, politicization of staff and selfishness. Political intervention and influences, Provision for the single borrower credit Limit, Involvement in research, freedom, Automation Non performing loan and loan loss provision.

This study entitled "Problems and Prospects of commercial banking sector in Relation to Deposit mobilization" Intends to help the researcher in partial fulfillment of master degree in management. Due to limited time and resources the study has

concentrated only on six sample banks.

5.3 Conclusion

- ❖ The study comes up the following conclusions CBs face several problems related to deposit mobilization and investment.
- ❖ For the problems many factors are responsible such as country's political situation, Political intervention in bank, govt. rules, corruption, profit oriented banks, unhealthy competition lack of research and lack of modern automation etc.
- ❖ There are 18 CBs in our country although poor and rural areas' people couldn't be able to get banking services yet.
- ❖ The non-govt banks are providing services for some big business houses and rich people of urban areas but now they are also opening branches in rural areas,
- ❖ e bank has over-staffing problem. There are large numbers of non permanent staffs who are appointed with no functioning requirement. In spite of these problems, we can't imagine economical development without CBs]
- ❖ CBs provided many service to every business trade and industries.
- ❖ In recent years, banking services is improving NRB introduced many rules for CBs, for example blacklisting procedure in one of them.
- ❖ The two big and govt owned banks, NBL and RBB are also given great effort to reverse NPL these days
- ❖ NBL and RBB have started to automate their many branches and also claimed to earn profit up to 2068.
- ❖ Interest rate of deposit is decreasing every year because of lack of investment opportunity, but deposit collection is increasing which makes us think that consumers believed CBs.
- ❖ Consumer believed to govt. owned bank than non-govt. bank consumer were also satisfied with current banking services in comparison to previous.
- ❖ CBs have to face many problems in microinjecting such as low income, higher risk, higher transaction cost etc
- ❖ It is seen that CBs are successful to flow credit in Priority sector credit as NRB rules, Mainly two govt. owned bank are providing services to rural areas' people and also poorer.

5.3 Recommendation

We are aware that 90% and over of the total population of Nepal live in village. Thus without due considerations to this rural mass, the economic and social development in the country is unthinkable. The geographical barrier and the limited resources have resulted social disparities in the country. In such situation, the CBs should also strive for overall economic development of the country. The bank spread its network of branches across the country and dedicated its service to national development. However smooth disbursement of loan depends on the sufficient of the fund. The main sources of funds being internal and external borrowing the bank has reduce dependability and find out way to build up resources base. CBs, thus developed the concept of collecting scattered and idle urban saving and Plough it back for rural development on the basis of the study, following suggestions may be recommended for consideration to improve the existing situation.

- ❖ People deposit their fund in govt. banks; however they prefer service quality of non-govt bank. If govt. owned banks could be able to give only faster service to consumer. Then these banks can attract more consumers because people believed govt. owned bank than non-govt. bank. so, it should grant loan and advances without its lengthy process.
- ❖ In the context of service quality. People believed to govt. bank but prefer non-govt. bank. So semi govt. bank should be established with feature of govt. security and fast and modern services like non-govt. banks.
- ❖ Every bank should have research dept. and this dept. should be made active. The bank should research before opening branch and also investment. Moreover they should try to find that whether the infested fund is utilized or not. if the investment is received by targeted people or not. They have to know about consumer's problems and their expectations.
- ❖ Govt. owned bank should invest their liquid funds in rural areas and poor people because it is seen that non govt. banks are not successful to serve in rural areas and poor people of urban area. So Govt. owned bank should take benefit of it.
- ❖ It is seen that non-govt. bank are interested in rich people and urban areas only. They should serve every people. It generates more profit to them and conserve to country.

- ❖ Commercial banks have to identify new areas of investment to increase loan and advances in reducing the higher Liquidity position this would help both for the banks and investment demand sector.
- ❖ Bank and financial institutions in Urban area do have normally excess of deposits over the demand for Loan therefore have the problem of excess liquidity. On the other hand, financial agencies such as cooperative and NGOs in rural areas do not have adequate supply of financial resources. A financial co-operative can meet credit demand of rural area borrowing from urban bank, and financial institutions. Therefore CBs through the Co-operatives can avail the opportunity of using their excess Liquidity in rural areas by wholesale lending.
- ❖ Development of country needs financial support. For which, CBs are main intermediary in Nepal. So NRB have made compulsory provision to those CBs in order to open one urban branch need to open one semi urban branch and rural branch compulsorily. But only financial support can't do any thing. For development many other things like infrastructure etc. should be developed so NRB must think about this fact.

Annex - I

Comparative Balance Sheet of Selected Bank

Nepal Bank Limited

Capital and Liabilities	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Capital	380383	380383	380383	380383	380383
Reserves and Surplus	-6734898	-9934258	-10211515	9394908	7805928
Deposit	35618590	34264847	35014000	35735045	35934163
Borrowing	211171	213264	52010	-	1247065
Bills Payable	87431	120145	141311	31427	417788
Other Liabilities	12029066	14515463	14440302	17409934	16871683
Total Liabilities	41591743	39559844	39816491	44161881	47045154
Assets					
Cash Balance	1782946	1665104	1416545	1010231	1069614
Bank Balance	4483850	4962013	3178624	4850838	5089724
Money At Call	1649468	1543599	81540	751995	550000
Investment	6776326	7151381	12447699	11004820	14199216
Loan and Advance	11918937	8638438	7971097	8881824	8218909
Fixed Assets	146938	139641	137795	195047	187085
Other Assets	14833278	15459668	14583191	17467126	17730606
Total Assets	41591743	39559844	39816491	44161881	47045154
Expenses					
Interest Expenses	1834965	1713203	1585600	1025533	748953
Staff Expenses	871488	1227851	1541829	1848846	1305249
Office Expenses	158624	158492	225923	299060	382710
Exchange Loss	-	-	-	-	-
Non Operating Expenses	-	-	-	-	-
Bad debts	-	-	-	-	-

written off					
Loan Loss Provision	2192591	2114436	16290	-	4250
Provision for NBA			-	78932	
Provision for Staff BOnus			-	78932	
Provision for Income	-	-	-	-	-
Total Expenses	5057628	5213982	3369642	3270893	2441162
Income					
Interest Income	2383195	1526989	2200314	1825041	1987119
Commission and Discount	234183	241007	280137	231916	188421
Exchange Income	133982	183620	42661	71815	1369
No Operating Income	120591	124759	131818	645528	1451459
Other Income	7768	663111	462981	1206984	542924
	2879719	2142686	3117911	3981284	4171292
Net Profit/Loss	-2177909	-3071296	-251731	710391	1730130
Financial Indicator	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Core Capital to Risk weighted assets	-17.51%	-27.03%	-29.75%	-25.91%	-19.54%
Capital Fund to Risk Weighted Asset	0.00%	-19.67%	-28.25%	-24.97%	-19.54%
No Performing Loan to Total Loan	50.80%	56.27%	60.47%	53.74%	49.64%
Net Profit to	-14833.87%	320.98%	106.92%	87.94%	99.75%

Gross Profit					
Weighted average Interest Spread	3.31%	0.88%	2.94%	3.16%	4.40%
Net Interest Income (Rs. In Million)	548	-186	615	800	1238
Return on Assets	-5.24%	-7.76%	0.63%	1.61%	3.68%
Credit to deposit	57.33%	56.19%	51.79%	50.20%	46.94%
Liquid Assets to Total Assets	35.19%	38.58%	42.27	38.96%	38.23%
Liquid Assets to Total Deposit	41.09%	44.55%	48.07%	48.15%	50.06%

Rastiya Banijya Bank Limited

Capital and liabilities	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Capital	1172300	1172300	1172300	1172300	1172300
Reserves and surplus	-11550356	18623655	-23563206	-22610203	-21371738
Deposit	40773660	38993290	39402273	40866767	43016063
Borrowing	146926	156167	161950	79966	4217812
Bills Payable	24453	19784	16421	24486	39718
Other Liabilities	22664019	23251338	25561913	25523004	43317860
Total Liabilities	53231002	44969224	42751651	45056320	70392015
Assets					
Cash Balance	921094	850186	1019318	1007240	1621786
Bank Balance	4167783	3676460	2716731	6011850	3931408
Money at Call		-	740000	100000	-
Investment	5656931	4159474	4626218	3117026	8415882
Loan and Advances	19798277	13689748	11679489	10831084	272000932
Fixed Assets	397096	402563	479022	391803	393081
Other Assets	22289821	22190793	21490873	23597317	29028926

Total Assets	53231002	449692524	42751651	45056320	70392015
Expenses					
Interest Expenses	2571375	2347083	2103431	1494845	1004722
Staff expenses	1385300	758690	3248985	905805	810582
Office Expenses	324802	242720	244831	230229	234249
Exchange loss	17076				-
Bad debts written off	-	-	-	-	-
Loan loss Provision	5915719	5842505	1590647	10706	50934
Provision for NBA					86481
Provision for staff Bonus			-	83208	-
Provision for Income tax	-	-	-	-	-
Total Expenses	10214287	9191017	7187985	2724793	2187068
Income					
Interest Income	2833517	1744740	2044055	2235881	2328821
Commission and Discount	157590	214520	211484	309803	287753
Exchange Income	89107	78200	2857	15740	13612
Non Operating Income	14268	7114	6760	147086	44266
Other Income	36555	78190	84234	1056384	835510
Total income	3131037	2122764	2349390	3764894	3509962
Net Profit (Loss)	-7083250	-7068253	-4838595	1040101	1322894

Financial Indicators	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Core capital to Risk Weighted Assets	-17.03%	-35.30%	-45.52%	-43.27%	-34.12%
Capital found to Risk Weighted Assets	0.00%	-28.02%	-44.28%	-42.12%	-34.12%
Non-performing loan to Total loan	48.49%	55.07%	60.15%	57.64%	52.99%
Net profit to Gross profit	606.69%	576.65%	148.97%	91.72%	90.59%

Weighted Average Interest Spread	1.60%	-0.90%	0.90%	3.39%	4.91%
Net Interest Income (Rs. in million)	262	-602	-59	741	1.324
Return on Assets	-13.31%	-15.72%	-11.32%	2.31%	2.33%
Credit to Deposit	67.14%	69.34%	67.53%	61.43%	62.77%
Liquid Assets to Total Assets	20.03%	19.16%	20.15%	22.28%	21.10%
Liquid Assets to Total Deposit	26.15%	22.09%	21.86%	24.56%	27.87%

Standard Chartered Bank Limited

(in million)

Capital and Liabilities	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Capital	339549	339549	339549	374640	374640
Reserves and Surplus	772474	895930	1029359	11210099	1207775
Deposit	15430051	15835748	18755634	21161442	19335095
Borrowing	1666713	684724	79164	78283	55926
Bills Payable	35208	51400	54842	59024	56298
Other Liabilities	838946	635754	741955	847571	1141506
Total Liabilities	19082941	18443105	21000503	23642059	22171240
Assets					
Cass Balance	187660	257845	198755	187705	195459
Money at call	2612005	567420	1313550	1835459	915658
Investment	9559176	9275885	10357679	11360328	9702553
Loan and Advances	5407093	5364006	5695824	6693862	8420869
Fixed Assets	121807	101066	191711	136234	71413
Other Assets	421808	814919	1585074	1493492	605597
Total Assets	19082941	18443105	21000503	23642059	22171240
Expenses					
Interest expenses	474401	299860	255154	275809	254126
Staff Expenses	102121	126510	128328	134685	148586
Office Expenses	224847	190942	311013	279693	256649
Exchange loss	-	-	-	-	-
Non operating expenses	-	18362	15320	10756	-
Bad debts written off	872	509	-	-	-
Loan loss Provision	100451	75049	2340	23516	30082
Provision for NBA	-	-	-	-	-
Provision for Income	243428	184231	208222	235793	258944

tax					
Total Expenses	1231598	967608	996671	1046207	1037070
Income					
Interest Income	1227219	1013636	1001360	1042175	1058677
Commission and Discount	187279	1693463	215201	198947	184830
Exchange Income	214861	228100	232522	273050	266865
Non operating Income	344	-	-	-	2957
Other Income	32726	41616	54520	69835	62945
Total Income	1662429	1446815	1503603	1584007	1576274
Net Profit /(Loss)	430831	479207	506932	537800	539204
Financial Indicators	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Core Capital to Risk Weighted Assets	11.61%	13.92%	12.31%	14.14%	14.25%
Capital Fund to Risk Weighted Assets	0.00%	17.39%	14.21%	15.99%	16.36%
Non - Performing Loan to Total Loan	5.23%	4.84%	4.13%	3.77%	2.69%
Net Profit To Gross Profit	50.03%	59.08%	63.88%	60.90%	63.36%
Weighted Average Interest Spread	4.65%	4.19%	4.11%	3.76%	3.70%
Net Interest Income (Rs in million)	753	714	746	766	805
Return on Assets	2.26%	2.60%	2.41%	2.27%	2.43%
Credit to Deposit	36.82%	35.97%	31.99%	31.56%	43.55%
Liquid Assets to Total Assets	43.93%	47.02%	47.11%	51.56%	47.69%
Liquid Assets to Total Deposit	54.34%	54.76%	52.75%	57.60%	54.69%

Nabil Bank Limited

Capital and Liabilities	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Capital	491654	491654	491654	491654	491654
Reserves and surplus	571192	654773	822532	990028	1165984
Deposit	15839008	15506428	13447661	14119033	14586609
Borrowing	-	417298	961461	229660	14062
Bill Payable	69697	67753	108944	173499	119753
Other Liabilities	799100	491346	730373	741612	805268
Total Liabilities	17770651	17629252	16562625	16745486	17186330

Assets					
Cash Balance	208483	318159	187777	286886	146353
Bank Balance	604423	733661	956991	683600	413028
Money at call	522550	31368	370204	918733	868428
Investment	7704309	8199515	6031176	5835948	4267233
Loan and advance	7732637	7437895	7755950	8189993	10586170
Fixed Assets	248666	237639	251915	338126	361235
Other Assets	749583	671015	708612	492200	543883
Total Assets	17770651	17629252	16562625	16745486	17186330
Expenses					
Interest Expenses	578364	462079	317348	282948	243544
Staff Expenses	147356	147439	210583	180840	199516
Office Expenses	122795	134317	166200	150759	190299
Exchange loss	-				-
Non Operating expenses		50			-
Bad debts written off	-	441525	51574	8181	31133
Loan loss Provision	165767		-	1052	4207
Provision for NBA				-	239150
Prevision for staff bonus	52597	44116	66364	71941	84198
Provision for income tax	181995	137950	199145	201763	-
Total Expenses	1248874	1367476	1011214	971124	992047
Income					
Interest Income	1266704	1120184	1017872	1001617	1068747
Commission and Discount	97144	114337	144406	135958	128883
Exchange Income	159514	154219	144075	157324	184879
Non Operating Income	1909	-	86946	92781	72241
Other Income	14979	250374	34151	38755	55934
Total Income	15402520	1639114	1427450	1426435	1510684

Net Profit/(Loss)	291376	271638	416236	455311	518637
Financial Indicators	FY 2064	FY 2065	FY 2066	FY 2067	FY 2067
Core Capital to Risk Weighted Assets	6.50%	10.53%	11.45%	12.12%	11.35%
Capital Fund to Risk Weighted Assets	10.46%	13.86%	13.05%	13.56%	12%
Non- performing Loan to Total Loan	16.01%	7.14%	5.54%	3.35%	1.32%
Net Profit to Gross Profit	42.12%	30.34%	56.76%	56.08%	61.29%
Weighted Average Interest spread	4.50%	4.02%	4.51%	4.46%	5.01%
Net Interest Income (Rs. In Million)	688	658	701	719	825
Return on Assets	1.64%	1.54%	2.51%	2.72%	3.02%
Credit to Deposit	52.56%	50.31%	60.34%	60.55%	75.05%
Liquid Assets to Total Assets	22.89%	29.52%	32.63%	33.21%	22.35%
Liquid Assets to total Deposit	25.69%	33.56%	40.18%	39.39%	26.34%

Nepal Investment Bank Limited

Capital and Liabilities	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
capital	169985	169984	295293	295293	587738
Reserves and surplus	299108	353485	343250	433755	592435
Deposit	4256210	4174763	7922767	11524679	14254574
Borrowing	120000	98500	6829	361500	350000
Bills Payable	5182	6823	31634	57836	15008
Other Liabilities	166684	170335	414477	582433	471309
Total Liabilities	5017169	4973890	9014250	13255496	16274064
Assets					
cash Balance	71497	61523	200971	315383	374266
Bank Balance	375196	277401	725566	911540	966215
Money At Call		-	40000	310000	140000
Investment	1970278	1822162	1705241	3862483	3934189
Loan and advances	2318830	2564424	5772141	7130125	10125056

Fixed Assets	33974	35883	191116	249788	320592
Other Assets	247394	212497	379215	476177	412746
Total Assets	5017169	4973890	9014250	13255496	16274064
Expenses					
Interest Expenses	163426	130436	189214	326202	354549
Staff Expenses	33988	41720	61288	89749	97004
Office Expenses	80177	54648	108039	149479	182915
Exchange loss	-				-
Non operating expenses	25				-
Bad debts written off					-
Loan los provision	45282	75188	30335	78767	140409
Provision for NBA			-	12325	-
Provision for staff Bonus	10428	8679	18906	25719	37075
Provision for income tax	37440	21010	53332	78802	101529
Total Expenses	370766	361681	461114	761043	913481
Income					
Interest Income	349755	326224	459510	731403	886800
Commission and Discount	16204	16198	40812	55747	93551
Exchange Income	49835	42856	50834	84980	102518
Non operating income	-	3104	488	1768	6192
Other income	11380	30404	26288	36816	56567
Total income	427174	418786	577932	913714	1145628
Net profit / Loss	56408	57105	116818	152671	232147
Financial Indicators	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Core capital to risk weighted assets	13.10%	15.347%	7.88%	7.22%	8.52%
Capital fund to risk weighted assets	0.00%	17.21%	8.85%	7.22%	8.52%
Non performing loan to total loan	8.29%	4.80%	1.98%	2.47%	2.69%
Net profit to gross profit	37.72%	35.25%	53.25%	43.84%	45.42%
Weighted average interest spread	4.04%	4.24%	4.80%	5.98%	4.30%
Net interest income (Rs. in million)	186	196	270	405	532
Return on assets	1.12%	1.15%	1.30%	1.15%	1.53%
Credit to Deposit	57.07%	65.00%	74.74%	63.68%	73.33%
Liquid assets to total assets	14.88%	11.33%	15.16%	26.69%	21.07%
Liquid assets to total deposit	17.54%	13.49%	17.25%	30.70%	24.06%

Financial Indicators	FY 2064	FY 2065	FY 2066	FY 2067	FY 2068
Core capital to risk weighted assets	11.61%	13.92%	12.31	14.14	14.25
Capital fund to risk weighted assets	0.00	17.39	14.21	15.99	16.36
Non performing loan to total loan	5.23	4.84	4.13	3.77	2.69
Net profit to gross profit	50.03	59.08	63.88	60.90	63.36

Weighted average interest spread	4.65	4.19	4.11	3.76	3.70
----------------------------------	------	------	------	------	------

Nepal Bangladesh Bank Limited

Capital and Liabilities	FY 2064	FY 2065	FY 2066	FY 2067	FY2068
Capital	238163	357252	359925	359925	719852
Reserves and Surplus	356959	269251	324008	296653	-485276
Deposit	8600813	9534219	10580648	12807376	12125578
Borrowing	-	287500	68319	67225	-
Bills Payable	41554	42729	63929	150924	41662
Other Liabilities	4207323	611282	535783	575870	875334
Total Liabilities	9658212	1110233	11932612	14257973	13277150
Assets					
Cash Balance	242812	364618	309790	352153	300849
Bank Balance	756159	1394687	589723	1084320	1100918
Money at call	397633	100000	100000	-	-
Investment	691085	1008642	2168923	2699166	2411720
Loan and Advance	7074912	7632418	7347978	8648744	7787690
Fixed Assets	91699	91509	80734	191178	189307
Other Assets	403912	510359	1435464	1282412	1486666
Total Assets	9658212	11102233	11932612	14257973	13277150
Expenses					
Interest Expenses	515848	552743	597881	625362	547943
Staff Expenses	50746	552743	597881	625362	547943
Office Expenses	67446	77198	101404	113762	161344
Exchange loss	-				-
Non Operating Expenses	-	4149		-	22393
Bad debts written off		23		-	-
Loan Loss Provision	130483	269346	261875	282484	905153
Provision for NBA			-	118249	-
Provision for	31548	1198	21277	11071	-

Staff Bonus					
Provision for Income Tax	84180	35000	120000	97000	100000
Total Expenses	881251	10110119	1172334	1324552	1832717
Income					
Interest Income	810051	850525	1013712	1095501	876508
Commission and Discount	123911	108840	109046	105058	92998
Exchange Income	102097	69706	56300	56160	39671
Non Operating Income	5856		-	7324	-
Other Income	38089	47732	64771	63152	73997
Total Income	108004	1076803	1243829	1327195	1083174
Net Profit (Loss)	198753	65784	74495	2643	-749543
Financial Indicators	FY 2064	FY 2065	FY 2066	FY 2067	FY2068
Core Capital to Risk weighted Assets	5.94%	5.75%	6.22%	4.65%	1.51%
Capital Fund to Risk weighted Assets	0.00%	9.92%	8.11%	5.61%	3.02%
Non-Performing Loan to Total Loan	8.34%	15.77%	12.73%	10.81%	19.04%
Net profit to gross profit	44.57%	17.25%	15.06%	0.52%	-293.24%
Weighted Average Interest Spread	4.87%	4.67%	4.74%	4.47%	2.84%
Net Interest Income (Rs. In Million)	294	298	416	470	329
Return on Assets	2.06%	0.59%	0.60%	0.02%	-5.65%

Credit to Deposit	85.56%	84.79%	75.25%	75.31%	79..39%
Liquid Assets to Total Assets	17.18%	24.77%	25.48%	28.16%	27.22%
Liquid assets to total deposit	19.29%	28.85%	28.73%	31.35%	29.81%

Annex -2
Questionnaire

Name

Date: -

Profession

1. In which bank do you prefer to have transactions? Why?
2. Among the 17 banks, in how many banks are you making transaction? Which bank do you think the best on the basis of the attitude towards you?
3. How long have you transacted with that banks?
4. With what kinds of behavior of bank have you satisfied? Unsatisfied?
5. To what extent are you satisfied with the services of that bank/s?
 - a. High b. Medium c. low
6. Do you have faced any problem during your transaction with that banks? What do you think are the major factors creating problems in your transaction? To what extent these factors create problems in your transaction?
 - I. Government Rules a) High b) Medium c) Low
 - II. Internal rules of bank a) High b) Medium c) Low
 - III. Political Influenced a) High b) Medium c) Low
 - IV. Corruption a) High b) Medium c) Low
 - V. Financial problems of bank a) High b) Medium c) Low
 - VI. Concentration in big a) High b) Medium c) Lowbusiness houses
7. Do you think that these factors are creating any problems in banking sectors?
 - i. Government rules/NRB directives a. yes b. no c. don't know
 - ii. Internal rules of bank a. yes b. no c. don't know
 - iv. Political influenced a. yes b. c. don't know
 - v. Unorganized financial sectors a. yes b .no c don't know
 - vi. Corruption a. yes b. no c. don't know
 - vii. Personal relation a. yes b. no c. don't know
 - viii. Internal problems of banks a. yes b. c. don't know
 - ix. Financial problems of bank a. yes b. no. c. don't know
8. How is the behavior of bank staff?
 - a very b. good c. poor
9. How much are you feeling comfortable and safe to deposit your saving in the banks?
 - (a) high (b) medium (c) low

10. Have you borrowed funds from the bank? If yes, how did obtain it?
 - a. Independently
 - b. Through political power
 - c. Through personal Relation with Bank Staff
 - d. Giving Same Commission To Staff.
11. How is the loan disbursement process of that banks?
 - a. Very good
 - b. good
 - c. poor
12. What kinds of problems have faced during loan receiving process?
13. What are the thinks do you have got that attracted bank to invest you? Do you ever feel bank pay no attention to you?
14. What do you think of present situation of bank?
15. What kinds of improvement have done by bank during your transaction period and recent year?
16. What should bank do to satisfy their consumers?
17. Is there anything to do in order to improve the present situation? About that bank and banking sector?

Annex -3
Questionnaire

Name

Date: -

Office.....

1. To what extents are you satisfied with your bank and your Job ?
a. High b. Medium c. low
2. Are you getting enough authority and freedoms to performing your duties ?
a. yes b. no c. don't know
3. How much the personal relation is important to activate daily transaction ? Is any problems created by personnel relation in your office ?
a. High b. Medium c. low
4. How much do you think that consumers are satisfied with service quality of your bank and feel comfortable with the office environment ? And what have done for it ?
a. High b. Medium c. low
5. Which a kind of consumer is your bank interested to transact ? Is your bank treat all consumers in same way ?
6. How much are interested in politic ? Is it important to staff ? to what extent are you involved in it ?
a. High b. Medium c. low
7. Are you interested to work in the branch out of Kathmandu valley ? If you are transfer to rural areas in this horrible political situation of our country, how will you react ?
8. How is the deposit collection and loan disbursement process of your banks And what are the main problems of it ?
 - I. Government rules / NRB directives a. High b. Medium c. Low
 - II. Unhealthy competition a. High b. Medium c. Low
 - III. Political influences a. High b. Medium c. Low
 - IV. Corruption a. High b. Medium c. Low
 - V. Concentration in big business house a. High b. Medium c. Low

9. Are these factors creating any problems in banking sectors ?
- | | | | |
|---|--------|--------|---------------|
| i. Government rules/NRB directives | a. Yes | b. No. | c. don't Know |
| ii. Internal rules of bank | a. Yes | b. No. | c. don't Know |
| iii. Unhealthy competition | a. Yes | b. No. | c. don't Know |
| iv. Political influenced | a. Yes | b. No. | c. don't Know |
| v. Unorganized financial sectors | a. Yes | b. No. | c. don't Know |
| vi. Corruption | a. Yes | b. No. | c. don't Know |
| vii. Personnel relation | a. Yes | b. No. | c. don't Know |
| viii. Internal problems of banks | a. Yes | b. No. | c. don't Know |
| ix. Financial problems of bank | a. Yes | b. No. | c. don't Know |
| x. Concentration in bib business houses | a. Yes | b. No. | c. don't Know |
10. What are the main problems of deposit collection and loan disbursement within micro financing program?
11. How much daily transaction in relation to deposit collection and loan disbursement is influenced by politic? Is it creating any problems in performing your duties ?
- (a) high (b) modicum (c) low
12. What kind of situation created by present political situation in your bank transaction ? Mainly in deposit collection and its utilization.
13. How do you define competition of your bank with other banks and financial companies and with unorganized financial sectors ? Is it unhealthy ?
14. To what extent this bank involve in research to improve and growth of this bank in your experience?
15. Is there anything to do in order to improve the present situation ? About that bank and banking sector?

BIBLIOGRAPHY

Adam, Evertte E and Ebrth, Jr. Ronal J. (2003). *Production and Operation Management*. New Delhi: Prentice Hall of India Pvt. Ltd.

Agrawal, Govinda Ram (1975), *Inventory Management and Control Technique*. CEDA. T.U. paper Presented in Traning Work Shop on Project Analysis and Management.

Agrawal, Govinda Ram (1980). *Management in Nepal*. Kathmandu CDC. T.U.

Agrawal, Govinda Ram (2000). *Marketing in Nepal*. Kathmandu: Educational Enterprises Ltd.

American Institute of Certified Public Accountants (1961). *Accounting Research and Terminology Bulletins*. New York: Final Edition.

Bajracharya, Puskar (1983). *“Management on Public Sector Manufacturing Enterprises in Nepal”* Unpublished Degree Dissertation Submitted to Faculty of Management. T.U.

Bajracharya, Puskar (1993). *Management Problem in Public Manufacturing in Nepal*. Kathmandu: CEDA

Balika, Radha Kumari (1996). *A study on Inventory Management of HCIL*. Kirtipur: Unpublished Degree Dissertation Submitted to Faculty of Management. T.U

Baral, Puspa Raj (1994). *Inventory Management, A case study of Gandaki Noodles Pvt. Ltd.* Kathmandu: Unplished Degree Dissertation submitted to faculty of Management.T.U

Baryle, D. Muny (1969). *Industrial Development*. A guide for accelerating economic growth. New York: MC- Graw Hill Book Company

Basnet, Singha Raj (1999), *A study of inventory Management of HCCL*. Kirtipur. Unpublished Degree Dissertation Submitted to faculty of Management. T.U

Brigham, F. Eugene, Gapenski C. Louis, Ehrhardt (2001). *Financial Management*. New Delhi: Prentice Hall of India Pvt. Ltd

Bloomberg, David J, Leemay Stephen and Hanna Joe B. (2002). *Logistics*. New Delhi: Prentice Hall of India Pvt. Ltd.

Chopra, Sunil and Meindal, Peter (2003). *Supply Chain Management*. New Delhi: Prentice Hall of India Pvt.Ltd.

Dobler, Donal W, T.R. Lamar Lee, Burt David N (1992). *Purchasing and Material Management*. New Delhi: Prentice Hall of India Pvt. Ltd.

Jain,S.P. and Narang K.L.(1991). *Cost Accounting*. New Delhi: Kalyani Publishers.

Jain, S.P. and Narang K.L. (1994). *Advanced Accounting*. New Delhi: Kalyani Publishers.

Joshi, P.R. (2001). *Research Methodology*. Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

Shrestha, Manohar Krishna (1980). *Financial Management*. Kathmandu: Curriculum Development Centre.T.U.

Weston, J. Fred and Copeland, Thomas E. (1992). *Managerial Finance*. USA New York: A Hart Court Brace Jovanich College Publisher. The Dryden Press.